

Item 8. Financial Statements and Supplementary Data.

THE J. M. SMUCKER COMPANY
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REPORT OF MANAGEMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management is responsible for establishing and maintaining adequate accounting and internal control systems over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. Our internal control system is designed to provide reasonable assurance that we have the ability to record, process, summarize, and report reliable financial information on a timely basis.

Our management, with the participation of the principal financial officer and principal executive officer, assessed the effectiveness of the internal control over financial reporting as of April 30, 2021. In making this assessment, we used the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (“the COSO criteria”).

Based on our assessment of internal control over financial reporting under the COSO criteria, we concluded the internal control over financial reporting was effective as of April 30, 2021.

Ernst & Young LLP, an independent registered public accounting firm, audited the effectiveness of our internal control over financial reporting as of April 30, 2021, and their report thereon is included on page 39 of this report.

Mark T. Smucker
*President and
Chief Executive Officer*

Tucker H. Marshall
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on Internal Control Over Financial Reporting

We have audited The J. M. Smucker Company's internal control over financial reporting as of April 30, 2021, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("the COSO criteria"). In our opinion, The J. M. Smucker Company (the "Company") maintained, in all material respects, effective internal control over financial reporting as of April 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the 2021 consolidated financial statements of the Company and our report dated June 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Akron, Ohio
June 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Board of Directors and Shareholders
The J. M. Smucker Company**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The J. M. Smucker Company (the “Company”) as of April 30, 2021 and 2020, the related statements of consolidated income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended April 30, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of April 30, 2021, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

U.S. Retail Pet Foods Goodwill Impairment Evaluation

Description of the Matter

At April 30, 2021, the Company's total goodwill was \$6.0 billion, of that, \$2.4 billion relates to the U.S. Retail Pet Foods segment. Goodwill is assigned to the Company's reporting units as of the acquisition date. As discussed in Note 1 and Note 7 of the consolidated financial statements, goodwill is quantitatively tested at the reporting unit level for impairment at least annually on February 1, or when events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company uses an income and market approach in its quantitative impairment tests. U.S. Retail Pet Foods goodwill is susceptible to impairment due to the narrow difference between fair value and carrying value.

Auditing the Company's U.S. Retail Pet Foods goodwill impairment evaluation was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimate using the income approach was sensitive to significant assumptions such as the weighted average cost of capital, discrete revenue growth rates, terminal period revenue growth rate, and profitability assumptions. Elements of these significant assumptions are forward-looking and could be affected by future economic conditions and/or changes in consumer preferences.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's U.S. Retail Pet Foods goodwill impairment review process, including controls over the significant assumptions mentioned above.

To test the estimated fair value used in the Company's U.S. Retail Pet Foods impairment analysis, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. As it pertains to revenue growth rates and profitability assumptions, we compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, customer base or product mix, as applicable. We assessed the historical accuracy of management's estimates. In addition, we involved our valuation specialists to assist with our evaluation of the methodology used by the Company and significant assumptions, including, the weighted average cost of capital. Specifically, we evaluated the components of the weighted average cost of capital assumptions used by the Company by performing an independent corroborative calculation with the involvement of our valuation specialists.

U.S. Retail Pet Foods and U.S. Retail Coffee Indefinite-Lived Intangible Assets Impairment Evaluation

Description of the Matter

At April 30, 2021, the Company's total indefinite-lived intangible assets, excluding goodwill, were \$2.9 billion, of that, \$1.4 billion relates to the U.S. Retail Pet Foods segment and \$1.2 billion relates to the U.S. Retail Coffee segment (collectively, the "Pet Foods and Coffee indefinite-lived intangible assets"). As discussed in Note 1 and Note 7 of the consolidated financial statements, indefinite-lived intangible assets are quantitatively tested for impairment at least annually on February 1, or when events or circumstances occur that would more likely than not reduce the fair value of the asset below its carrying amount. The Company uses an income approach in its quantitative impairment tests. Certain Pet Foods and Coffee indefinite-lived intangible assets are individually material, have had recently recognized impairment charges, or are susceptible to future charges due to the narrow differences between fair value and carrying value, or a combination of some or all three of these criteria.

Auditing the Company's Pet Foods and Coffee indefinite-lived intangible assets impairment evaluation was complex and highly judgmental due to the significant estimation required in determining the fair value of the indefinite-lived intangible assets. In particular, the fair value estimate was sensitive to significant assumptions such as the required rate of return, revenue growth rates, terminal period revenue growth rates, and royalty rates. Elements of these significant assumptions are forward-looking and could be affected by future economic conditions and/or changes in consumer preferences.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Pet Foods and Coffee indefinite-lived intangible assets impairment review process, including controls over the significant assumptions mentioned above.

To test the estimated fair value used in the Company's Pet Foods and Coffee indefinite-lived intangible assets impairment analyses, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. As it pertains to revenue growth rates, we compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, customer base or product mix, as applicable. We assessed the historical accuracy of management's estimates. In addition, we involved our valuation specialist to assist with our evaluation of the methodology used by the Company and significant assumptions, including the required rates of return and royalty rate. As it pertains to the required rate of return, we evaluated the components of the weighted average cost of capital assumptions used by the Company by performing an independent corroborative calculation with the involvement of our valuation specialists. We also evaluated the premia applied to the weighted average cost of capital of the Pet Foods and Coffee indefinite-lived intangible assets based on the characteristics of each asset subject to the evaluation. As it pertains to the royalty rates used in the impairment analyses, we performed independent corroborative profit split calculations to evaluate the royalty rates selected by the Company. We also evaluated market royalty rates cited by the Company as to their relevance to the Company's conclusions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1955.

Akron, Ohio
June 17, 2021

REPORT OF MANAGEMENT ON RESPONSIBILITY
FOR FINANCIAL REPORTING

Shareholders

The J. M. Smucker Company

Management of The J. M. Smucker Company is responsible for the preparation, integrity, accuracy, and consistency of the consolidated financial statements and the related financial information in this report. Such information has been prepared in accordance with U.S. generally accepted accounting principles and is based on our best estimates and judgments.

We maintain systems of internal accounting controls supported by formal policies and procedures that are communicated throughout the Company. There is a program of audits performed by our internal audit staff designed to evaluate the adequacy of and adherence to these controls, policies, and procedures.

Ernst & Young LLP, an independent registered public accounting firm, has audited our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Management has made all financial records and related data available to Ernst & Young LLP during its audit.

Our audit committee, comprised of three independent non-employee members of the Board of Directors, meets regularly with the independent registered public accounting firm and management to review the work of the internal audit staff and the work, audit scope, timing arrangements, and fees of the independent registered public accounting firm. The audit committee also regularly satisfies itself as to the adequacy of controls, systems, and financial records. The director of the internal audit department is required to report directly to the audit committee as to internal audit matters.

It is our best judgment that our policies and procedures, our program of internal and independent audits, and the oversight activity of the audit committee work together to provide reasonable assurance that our operations are conducted according to law and in compliance with the high standards of business ethics and conduct to which we subscribe.

Mark T. Smucker
President and
Chief Executive Officer

Tucker H. Marshall
Chief Financial Officer

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share data)	Year Ended April 30,		
	2021	2020	2019
Net sales	\$ 8,002.7	\$ 7,801.0	\$ 7,838.0
Cost of products sold	4,864.0	4,799.0	4,922.3
Gross Profit	3,138.7	3,002.0	2,915.7
Selling, distribution, and administrative expenses	1,523.1	1,474.3	1,508.6
Amortization	233.0	236.3	240.3
Goodwill impairment charge	—	—	97.9
Other intangible assets impairment charges	3.8	52.4	107.2
Other special project costs ^(A)	20.7	16.5	64.1
Other operating expense (income) – net	(28.7)	(0.6)	(31.0)
Operating Income	1,386.8	1,223.1	928.6
Interest expense – net	(177.1)	(189.2)	(207.9)
Other income (expense) – net	(37.8)	(7.2)	(19.1)
Income Before Income Taxes	1,171.9	1,026.7	701.6
Income tax expense (benefit)	295.6	247.2	187.2
Net Income	\$ 876.3	\$ 779.5	\$ 514.4
Earnings per common share:			
Net Income	\$ 7.79	\$ 6.84	\$ 4.52
Net Income – Assuming Dilution	\$ 7.79	\$ 6.84	\$ 4.52

(A) Other special project costs includes integration and restructuring costs. For more information, see Note 3: Integration and Restructuring Costs.

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Dollars in millions)	Year Ended April 30,		
	2021	2020	2019
Net income	\$ 876.3	\$ 779.5	\$ 514.4
Other comprehensive income (loss):			
Foreign currency translation adjustments	41.5	(15.0)	(19.1)
Cash flow hedging derivative activity, net of tax	10.8	(145.2)	(37.5)
Pension and other postretirement benefit plans activity, net of tax	49.4	(36.7)	(9.0)
Available-for-sale securities activity, net of tax	(0.1)	(0.3)	0.5
Total Other Comprehensive Income (Loss)	101.6	(197.2)	(65.1)
Comprehensive Income	\$ 977.9	\$ 582.3	\$ 449.3

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	April 30,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 334.3	\$ 391.1
Trade receivables – net	533.7	551.4
Inventories:		
Finished products	607.6	563.5
Raw materials	352.3	331.8
Total Inventory	959.9	895.3
Other current assets	113.8	134.9
Total Current Assets	1,941.7	1,972.7
Property, Plant, and Equipment		
Land and land improvements	124.3	129.5
Buildings and fixtures	967.0	977.9
Machinery and equipment	2,469.7	2,398.3
Construction in progress	282.3	232.6
Gross Property, Plant, and Equipment	3,843.3	3,738.3
Accumulated depreciation	(1,841.8)	(1,768.9)
Total Property, Plant, and Equipment	2,001.5	1,969.4
Other Noncurrent Assets		
Operating lease right-of-use assets	142.0	148.4
Goodwill	6,023.6	6,304.5
Other intangible assets – net	6,041.2	6,429.0
Other noncurrent assets	134.2	146.4
Total Other Noncurrent Assets	12,341.0	13,028.3
Total Assets	<u>\$ 16,284.2</u>	<u>\$ 16,970.4</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,034.1	\$ 782.0
Accrued compensation	139.9	99.8
Accrued trade marketing and merchandising	200.6	167.5
Dividends payable	97.4	100.3
Current portion of long-term debt	1,152.9	—
Short-term borrowings	82.0	248.0
Current operating lease liabilities	41.1	36.5
Other current liabilities	119.5	153.0
Total Current Liabilities	2,867.5	1,587.1
Noncurrent Liabilities		
Long-term debt, less current portion	3,516.8	5,373.3
Defined benefit pensions	151.9	179.3
Other postretirement benefits	64.3	70.0
Deferred income taxes	1,349.3	1,351.6
Noncurrent operating lease liabilities	112.8	120.0
Other noncurrent liabilities	96.8	98.2
Total Noncurrent Liabilities	5,291.9	7,192.4
Total Liabilities	8,159.4	8,779.5
Shareholders' Equity		
Serial preferred shares – no par value:	—	—
Authorized – 6,000,000 shares; outstanding – none		
Common shares – no par value:		
Authorized – 300,000,000 shares; outstanding – 108,339,057 at April 30, 2021, and 114,072,726 at April 30, 2020 (net of 38,158,673 and 32,425,004 treasury shares, respectively), at stated value	27.1	29.0
Additional capital	5,527.6	5,794.1
Retained income	2,847.5	2,746.8
Accumulated other comprehensive income (loss)	(277.4)	(379.0)
Total Shareholders' Equity	8,124.8	8,190.9
Total Liabilities and Shareholders' Equity	<u>\$ 16,284.2</u>	<u>\$ 16,970.4</u>

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Year Ended April 30,		
	2021	2020	2019
Operating Activities			
Net income	\$ 876.3	\$ 779.5	\$ 514.4
Adjustments to reconcile net income to net cash provided by (used for) operations:			
Depreciation	219.5	210.2	206.0
Amortization	233.0	236.3	240.3
Goodwill impairment charge	—	—	97.9
Other intangible assets impairment charges	3.8	52.4	107.2
Pension settlement loss (gain)	35.5	0.1	7.1
Share-based compensation expense	28.7	26.8	20.7
Gain on divestitures – net	(25.3)	—	(27.7)
Deferred income tax expense (benefit)	(13.9)	7.6	(93.5)
Loss on disposal of assets – net	7.1	13.0	4.5
Other noncash adjustments – net	11.8	8.1	1.2
Settlement of interest rate contracts	—	(239.8)	—
Defined benefit pension contributions	(13.1)	(5.1)	(29.3)
Changes in assets and liabilities, net of effect from acquisition and divestitures:			
Trade receivables	22.0	(49.1)	(53.0)
Inventories	(110.4)	12.6	(5.3)
Other current assets	(34.0)	(15.7)	13.3
Accounts payable	260.9	181.6	43.7
Accrued liabilities	56.0	48.0	66.7
Income and other taxes	(17.6)	6.5	51.8
Other – net	24.7	(18.2)	(24.8)
Net Cash Provided by (Used for) Operating Activities	1,565.0	1,254.8	1,141.2
Investing Activities			
Business acquired, net of cash acquired	—	—	(1,903.0)
Additions to property, plant, and equipment	(306.7)	(269.3)	(359.8)
Proceeds from divestitures – net	564.0	—	369.5
Other – net	53.8	(2.2)	(30.9)
Net Cash Provided by (Used for) Investing Activities	311.1	(271.5)	(1,924.2)
Financing Activities			
Short-term borrowings (repayments) – net	(166.4)	(185.8)	282.0
Proceeds from long-term debt	—	798.2	1,500.0
Repayments of long-term debt	(700.0)	(900.0)	(700.0)
Quarterly dividends paid	(403.2)	(396.8)	(377.9)
Purchase of treasury shares	(678.4)	(4.2)	(5.4)
Proceeds from stock option exercises	4.5	7.1	—
Other – net	(0.4)	(7.2)	0.3
Net Cash Provided by (Used for) Financing Activities	(1,943.9)	(688.7)	699.0
Effect of exchange rate changes on cash	11.0	(4.8)	(7.3)
Net increase (decrease) in cash and cash equivalents	(56.8)	289.8	(91.3)
Cash and cash equivalents at beginning of year	391.1	101.3	192.6
Cash and Cash Equivalents at End of Year	\$ 334.3	\$ 391.1	\$ 101.3

() Denotes use of cash

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Dollars in millions)	Common Shares Outstanding	Common Shares	Additional Capital	Retained Income	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at May 1, 2018	113,572,840	\$ 28.9	\$ 5,739.7	\$ 2,239.2	\$ (116.7)	\$ 7,891.1
Net income				514.4		514.4
Other comprehensive income (loss)					(65.1)	(65.1)
Comprehensive Income						449.3
Purchase of treasury shares	(50,723)	—	(5.4)	—		(5.4)
Stock plans	220,179	—	21.5			21.5
Cash dividends declared, \$3.40 per common share				(386.0)		(386.0)
Other		—		—		—
Balance at April 30, 2019	113,742,296	28.9	5,755.8	2,367.6	(181.8)	7,970.5
Net income				779.5		779.5
Other comprehensive income (loss)					(197.2)	(197.2)
Comprehensive Income						582.3
Purchase of treasury shares	(35,588)	—	(4.3)	0.1		(4.2)
Stock plans	366,018	0.1	42.6			42.7
Cash dividends declared, \$3.52 per common share				(400.4)		(400.4)
Other				—		—
Balance at April 30, 2020	114,072,726	29.0	5,794.1	2,746.8	(379.0)	8,190.9
Net income				876.3		876.3
Other comprehensive income (loss)					101.6	101.6
Comprehensive Income						977.9
Purchase of treasury shares	(5,834,904)	(1.5)	(301.5)	(375.4)		(678.4)
Stock plans	101,235	0.1	34.5			34.6
Cash dividends declared, \$3.60 per common share				(400.2)		(400.2)
Other		(0.5)	0.5	—		—
Balance at April 30, 2021	108,339,057	\$ 27.1	\$ 5,527.6	\$ 2,847.5	\$ (277.4)	\$ 8,124.8

See notes to consolidated financial statements.

THE J. M. SMUCKER COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in millions, unless otherwise noted, except per share data)

Note 1: Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its majority-owned investments, if any. Intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires that we make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include, among others, estimates of future cash flows associated with assets, potential asset impairments, useful lives and residual values of long-lived assets used in determining depreciation and amortization, net realizable value of inventories, accruals for trade marketing and merchandising programs, income taxes, and discount rates and other assumptions used in determining defined benefit pension and other postretirement benefit expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents: We consider all short-term, highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Based on the short-term nature of these assets, carrying value approximates fair value. Cash equivalents within cash and cash equivalents in the Consolidated Balance Sheets were \$294.5 and \$300.2 at April 30, 2021 and 2020, respectively.

Revenue Recognition: Most of our revenue is derived from the sale of food and beverage products to food retailers, online retailers, and foodservice distributors and operators. We recognize revenue when obligations under the terms of a contract with a customer have been satisfied. This occurs when control of our products transfers, which typically takes place upon delivery to or pick up by the customer. Amounts due from our customers are classified as trade receivables in the Consolidated Balance Sheets and require payment on a short-term basis.

Transaction price is based on the list price included in our published price list, which is then reduced by the estimated impact of variable consideration, such as trade marketing and merchandising programs, discounts, unsaleable product allowances, returns, and similar items, in the same period that the revenue is recognized. To estimate the impact of these costs, we consider customer contract provisions, historical data, and our current expectations.

Our trade marketing and merchandising programs consist of various promotional activities conducted through retail, distributors, or directly with consumers, including in-store display and product placement programs, price discounts, coupons, and other similar activities. We regularly review and revise, when we deem necessary, estimates of costs for these promotional programs based on estimates of what will be redeemed by retail, distributors, or consumers. These estimates are made using various techniques, including historical data on performance of similar promotional programs. Differences between estimated expenditures and actual performance are recognized as a change in estimate in a subsequent period. During 2021, 2020, and 2019, subsequent period adjustments were less than 2 percent of both consolidated pre-tax income and cash provided by operating activities. Total promotional expenditures, including amounts classified as a reduction of sales, represented 39 percent of net sales in both 2021 and 2020, and 36 percent of net sales in 2019.

For revenue disaggregated by reportable segment, geographical region, and product category, see Note 5: Reportable Segments.

Shipping and Handling Costs: Transportation costs included in cost of products sold relate to the costs incurred to ship our products. Distribution costs are included in SD&A expenses and primarily relate to the warehousing costs incurred to store our products. Total distribution costs recorded within SD&A were \$281.8, \$286.4, and \$266.6 in 2021, 2020, and 2019, respectively.

Advertising Expense: Advertising costs are expensed as incurred. Advertising expense was \$224.4, \$198.6, and \$237.5 in 2021, 2020, and 2019, respectively.

Research and Development Costs: Research and development ("R&D") costs are expensed as incurred and are included in SD&A in the Statements of Consolidated Income. R&D costs include expenditures for new and existing product and manufacturing process innovation, which are comprised primarily of internal salaries and wages, consulting, testing, and

other supplies attributable to time spent on R&D activities. Other costs include the depreciation and maintenance of research facilities. Total R&D expense was \$57.7 in both 2021 and 2020 and \$56.0 in 2019.

Share-Based Payments: Share-based compensation expense, including stock options, is recognized on a straight-line basis over the requisite service period, and generally vest over a period of one to three years.

The following table summarizes amounts related to share-based payments.

	Year Ended April 30,		
	2021	2020	2019
Share-based compensation expense included in SD&A	\$ 28.3	\$ 26.4	\$ 20.1
Share-based compensation expense included in other special project costs	0.4	0.4	0.6
Total share-based compensation expense	\$ 28.7	\$ 26.8	\$ 20.7
Related income tax benefit	\$ 6.6	\$ 6.4	\$ 4.9

As of April 30, 2021, total unrecognized share-based compensation cost related to nonvested share-based awards, including stock options, was \$45.0. The weighted-average period over which this amount is expected to be recognized is 2.0 years.

Realized excess tax benefits and tax deficiencies are presented in the Statements of Consolidated Cash Flows as an operating activity and are recognized within income taxes in the Statements of Consolidated Income. For 2021, the tax deficiencies realized upon exercise or vesting of share-based compensation were \$0.1, and the excess tax benefits realized in 2020 and 2019 were \$0.9 and \$0.5, respectively. For additional discussion on share-based compensation expense, see Note 13: Share-Based Payments.

Defined Contribution Plans: We offer employee savings plans for domestic and Canadian employees. Our contributions under these plans are based on a specified percentage of employee contributions. Charges to operations for these plans in 2021, 2020, and 2019 were \$41.2, \$39.7, and \$37.1, respectively. For information on our defined benefit plans, see Note 9: Pensions and Other Postretirement Benefits.

Income Taxes: We account for income taxes using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the applicable tax rate is recognized in income or expense in the period that the change is enacted. A tax benefit is recognized when it is more likely than not to be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

We account for the financial statement recognition and measurement criteria of a tax position taken or expected to be taken in a tax return under FASB ASC 740, *Income Taxes*. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. In accordance with the requirements of ASC 740, uncertain tax positions have been classified in the Consolidated Balance Sheets as noncurrent, except to the extent payment is expected within one year. We recognize net interest and penalties related to unrecognized tax benefits in income tax expense.

Trade Receivables: In the normal course of business, we extend credit to customers. Trade receivables, less credit losses, reflects the net realizable value of receivables and approximates fair value. We account for trade receivables, less credit losses, under Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses*. We evaluate our trade receivables and establish a reserve for credit loss based on a combination of factors. When aware that a specific customer has been impacted by circumstances such as bankruptcy filings or deterioration in the customer’s operating results or financial position, potentially making it unable to meet its financial obligations, we record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for credit loss for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience, and an evaluation of current and projected economic conditions at the balance sheet date. Trade receivables are charged off against the reserve for credit loss after we determine that the potential for recovery is remote. At April 30, 2021 and 2020, the reserve for credit loss was \$2.4 and \$3.0, respectively. We believe there is no concentration of risk with any single customer whose failure or nonperformance would materially affect results other than as discussed in Note 5: Reportable Segments.

Inventories: Inventories are stated at the lower of cost or market, with market being defined as net realizable value, less costs to sell. Cost for all inventories is determined using the first-in, first-out method applied on a consistent basis.

The cost of finished products and work-in-process inventory includes materials, direct labor, and overhead. Work-in-process is included in finished products in the Consolidated Balance Sheets and was \$63.8 and \$65.4 at April 30, 2021 and 2020, respectively.

Derivative Financial Instruments: We account for derivative instruments in accordance with FASB ASC 815, *Derivatives and Hedging*, which requires all derivative instruments to be recognized in the financial statements and measured at fair value, regardless of the purpose or intent for holding them.

We do not qualify commodity derivatives or instruments used to manage foreign currency exchange exposures for hedge accounting treatment, and, as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our derivatives are economic hedges of our risk exposure. The exposures hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of the derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of an interest rate contract, the instrument is evaluated and documented for qualifying hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss) and reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet, and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

Property, Plant, and Equipment: Property, plant, and equipment is recognized at cost and is depreciated on a straight-line basis over the estimated useful life of the asset (3 to 20 years for machinery and equipment, 1 to 7 years for capitalized software costs related to software that we have purchased or has been licensed to us, and 5 to 40 years for buildings, fixtures, and improvements).

We lease certain land, buildings, and equipment for varying periods of time, with renewal options. Lease expense in 2021, 2020, and 2019 totaled \$108.7, \$112.8, and \$99.2, respectively.

In accordance with FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets, other than goodwill and other indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount exceeds the estimated fair value of the assets. Assets to be disposed of by sale are recognized as held for sale at the lower of carrying value or fair value less costs to sell. Furthermore, determining fair value is subject to estimates of both cash flows and discount rates, and different estimates could yield different results. There are no events or changes in circumstances of which we are aware of that indicate the carrying value of our long-lived assets may not be recoverable at April 30, 2021.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the estimated fair value of the net assets of a business acquired. In accordance with FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill and other indefinite-lived intangible assets are not amortized but are reviewed at least annually for impairment. We conduct our annual test for impairment of goodwill and other indefinite-lived intangible assets as of February 1 of each year. A discounted cash flow valuation technique was utilized to estimate the fair value of our reporting units and indefinite-lived intangible assets. We also used a market-based approach to estimate the fair value of our reporting units. The discount rates utilized in the cash flow analyses were developed using a weighted-average cost of capital methodology. In addition to the annual test, we test for impairment if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived intangible asset below its carrying value. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which are evaluated on an annual basis. For additional information, see Note 7: Goodwill and Other Intangible Assets.

Marketable Securities and Other Investments: We maintain funds for the payment of benefits associated with nonqualified retirement plans. These funds include investments considered to be available-for-sale marketable securities. At April 30, 2021 and 2020, the fair value of these investments was \$31.0 and \$38.6, respectively, and was included in other noncurrent assets in the Consolidated Balance Sheets. Included in accumulated other comprehensive income (loss) at April 30, 2021 and 2020, were unrealized pre-tax gains of \$4.9 and \$5.0, respectively.

Equity Method Investments: Investments in common stock of entities other than our consolidated subsidiaries are accounted for under the equity method in accordance with FASB ASC 323, *Investments – Equity Method and Joint Ventures*. Under the equity method, the initial investment is recorded at cost and the investment is subsequently adjusted for its proportionate share of earnings or losses, including consideration of basis differences resulting from the difference between the initial carrying amount of the investment and the underlying equity in net assets. The difference between the carrying amount of the investment and the underlying equity in net assets is primarily attributable to goodwill and other intangible assets.

We have a 20 percent equity interest in Mountain Country Foods, LLC, and a 42 percent equity interest in Numi, Inc. The carrying amount of these investments is included in other noncurrent assets in the Consolidated Balance Sheets. The investments did not have a material impact on the consolidated financial statements or the respective reportable segment to which they relate for the years ended April 30, 2021 and 2020.

Supplier Financing Program: During 2020, we entered into an agreement with a third-party administrator to provide an accounts payable tracking system and facilitate a supplier financing program which allows participating suppliers the ability to monitor and voluntarily elect to sell our payment obligations to a designated third-party financial institution. Participating suppliers can sell one or more of our payment obligations at their sole discretion, and our rights and obligations to our suppliers are not impacted. We have no economic interest in a supplier's decision to enter into these agreements. Our obligations to our suppliers, including amounts due and scheduled payment terms, are not impacted by our suppliers' decisions to sell amounts under these arrangements. However, our right to offset balances due from suppliers against our payment obligations is restricted by the agreement for those payment obligations that have been sold by our suppliers. The payment of these obligations is included in cash provided by operating activities in the Statements of Consolidated Cash Flows. Included in accounts payable in the Consolidated Balance Sheets as of April 30, 2021 and 2020 were \$304.2 and \$157.5 of outstanding payment obligations, respectively, that were elected and sold to a financial institution by participating suppliers.

Foreign Currency Translation: Assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates, while income and expenses are translated using average rates throughout the periods. Translation adjustments are reported as a component of shareholders' equity in accumulated other comprehensive income (loss). Included in accumulated other comprehensive income (loss) at April 30, 2021 and 2020, were foreign currency losses of \$9.0 and \$50.5, respectively.

Recently Issued Accounting Standards: In November 2020, the SEC adopted the final rule under SEC Release No. 33-10890, *Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, to modernize and simplify Management's Discussion and Analysis and certain financial disclosure requirements. These updates are part of the SEC's broader disclosure effectiveness initiative and reflect a principles-based, registrant-specific approach to disclosure, intended to improve the content and simplify compliance for registrants. We will be required to apply these amendments for 2022, with early adoption permitted. As of April 30, 2021, we elected to early adopt certain updates to section 301, *Selected Financial Data*, and 302, *Supplementary Financial Information*, resulting in immaterial impacts to our financial statements and disclosures. Furthermore, in conjunction with the above-mentioned disclosure effectiveness initiative, the SEC also adopted the final rule under SEC Release No. 33-10825, *Modernization of Regulation S-K Items 101, 103, and 105*, in August 2020. These amendments modernize the description of business, legal proceedings, and risk factor disclosure requirements, and were effective on November 9, 2020. Our disclosures were updated accordingly to comply with these amendments.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*, which removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 will be effective for us on May 1, 2021. Accounting for franchise taxes will require adoption on a retrospective or modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other applicable provisions will require

adoption on a retrospective, modified retrospective, or prospective basis, as required by ASU 2019-12. We do not anticipate that the adoption of this ASU will have a material impact on our financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial and adds new, as well as clarifies certain other, disclosure requirements. ASU 2018-14 was effective for us on May 1, 2020, and required adoption on a retrospective basis. The adoption of this ASU did not have a material impact on our disclosures. For additional information, see Note 9: Pensions and Other Postretirement Benefits.

Risks and Uncertainties: The raw materials used in each of our segments are primarily commodities, agricultural-based products, and packaging materials. The principal packaging materials we use are plastic, glass, metal cans, caps, carton board, and corrugate. Green coffee, peanuts, protein meals, grains, oils and fats, grains, sweeteners, fruit, and other ingredients are obtained from various suppliers. The availability, quality, and cost of many of these commodities have fluctuated, and may continue to fluctuate over time. Green coffee, along with certain other raw materials, is sourced solely from foreign countries and its supply and price are subject to high volatility due to factors such as weather, global supply and demand, plant disease, investor speculation, and political and economic conditions in the source countries. Raw materials are generally available from numerous sources, although we have elected to source certain plastic packaging materials and finished goods, such as K-Cup® pods and our *Pup-Peroni* dog snacks, from single sources of supply pursuant to long-term contracts. While availability may vary from year to year, we believe that we will continue to be able to obtain adequate supplies and that alternatives to single-sourced materials are available. We have not historically encountered significant shortages of key raw materials. We consider our relationships with key raw material suppliers to be in good standing.

We have consolidated our production capacity for certain products, including substantially all of our coffee, *Milk-Bone* dog snacks, fruit spreads, toppings, and syrups, into single manufacturing sites. Although steps are taken at all of our manufacturing sites to reduce the likelihood of a production disruption, an interruption at a single manufacturing site would result in a reduction or elimination of the availability of some of our products for a period of time.

Of our full-time employees, 24 percent are covered by union contracts at eight manufacturing locations. The contracts vary in term depending on location, with five contracts expiring in 2022, representing 8 percent of our total employees.

We insure our business and assets in each country against insurable risks, to the extent that we deem appropriate, based upon an analysis of the relative risks and costs.

Note 2: Acquisition

On May 14, 2018, we acquired the outstanding equity of Ainsworth, a leading producer, distributor, and marketer of premium pet food and pet snacks, predominantly within the U.S., in an all-cash transaction valued at \$1.9 billion. The transaction was funded with a bank term loan and borrowings under our commercial paper program of \$1.5 billion and \$400.0, respectively.

During 2019, the final purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determined the estimated fair values based on independent appraisals, discounted cash flow analyses, quoted market prices, and other estimates made by management. The purchase price allocation included total intangible assets of \$1.3 billion. The purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired and, as a result, the excess was allocated to goodwill. As a result of the acquisition, we recognized total goodwill of \$617.8 within the U.S. Retail Pet Foods segment, which represented the value we expected to achieve through the implementation of operational synergies and growth opportunities as a result of integrating Ainsworth into our U.S. Retail Pet Foods segment. Of the total goodwill, \$446.0 was deductible for income tax purposes at the acquisition date, of which \$354.6 remains deductible at April 30, 2021. The goodwill and indefinite-lived trademarks within the U.S. Retail Pet Foods segment, inclusive of the acquired Ainsworth business, remain susceptible to future impairment charges due to the narrow differences between fair value and carrying value. Any significant adverse change in our near or long-term projections or macroeconomic conditions could result in future impairment charges. For more information, see Note 7: Goodwill and Other Intangible Assets.

Note 3: Integration and Restructuring Costs

Integration and restructuring costs primarily consist of employee-related costs and other transition and termination costs related to certain divestiture, acquisition, or restructuring activities. Employee-related costs include severance, retention bonuses, and relocation costs. Severance costs and retention bonuses are recognized over the estimated future service period of the affected employees, and relocation costs are expensed as incurred. Other transition and termination costs include fixed asset-related charges, contract and lease termination costs, professional fees, and other miscellaneous expenditures associated with the integration or restructuring activities, which are expensed as incurred. These integration and restructuring costs are not allocated to segment profit and are primarily reported in other special project costs in the Statements of Consolidated Income, with the remaining reported in costs of products sold. The obligation related to employee separation costs is included in other current liabilities in the Consolidated Balance Sheets.

Integration Costs: As of April 30, 2020, all integration activities related to the acquisition of Ainsworth were considered complete. The following table summarizes our integration costs incurred related to the Ainsworth acquisition.

	2020	2019	Total Costs Incurred to Date at April 30, 2020
Employee-related costs	\$ 2.4	\$ 15.5	\$ 17.9
Other transition and termination costs	14.1	16.6	30.7
Total integration costs	\$ 16.5	\$ 32.1	\$ 48.6

Noncash charges of \$0.6 and \$4.1 were included in the integration costs incurred during 2020 and 2019, respectively. Cumulative noncash charges incurred were \$4.7 and primarily consisted of accelerated depreciation. We did not incur any costs during 2021. The obligation related to severance costs and retention bonuses was fully satisfied as of April 30, 2021, and was \$0.5 at April 30, 2020.

Restructuring Costs: A restructuring program was approved by the Board during the third quarter of 2021 associated with opportunities identified to reduce our overall cost structure and optimize our organizational design, inclusive of stranded overhead associated with recent divestitures of the *Crisco* and *Natural Balance* businesses. For additional information related to these divestitures, see Note 4: Divestitures. During the fourth quarter of 2021, we substantially completed an organizational redesign related to our corporate headquarters and announced plans to close our Suffolk, Virginia, production facility by the end of 2022, as a result of a new strategic partnership for the production of our Away From Home liquid coffee. While the entire scope of the program cannot be quantified at this time, we expect to incur approximately \$85.0 in costs associated with the restructuring activities approved to date. Approximately half of these costs are expected to be accelerated depreciation and other transition and termination costs associated with our cost reduction and margin management initiatives, while the remainder represents employee-related costs. We anticipate the activities associated with this restructuring program will be completed by the end of 2023, with over half of the costs expected to be incurred by the end of 2022.

The following table summarizes our restructuring costs incurred related to the restructuring program.

	2021	Total Costs Incurred to Date at April 30, 2021
Employee-related costs	\$ 17.3	\$ 17.3
Other transition and termination costs	6.8	6.8
Total restructuring costs	\$ 24.1	\$ 24.1

The obligation related to severance costs and retention bonuses was \$14.6 at April 30, 2021. Noncash charges of \$4.4 were included in the restructuring costs incurred during 2021, which primarily consists of accelerated depreciation.

During 2019, we completed a multi-year organization optimization program and incurred restructuring costs of \$32.0, of which \$3.3 were noncash charges. Total restructuring costs of \$74.6 were incurred related to the program, which included \$48.7 and \$25.9 of employee-related costs and other transition and termination costs, respectively. Total noncash charges were \$15.2, which primarily consisted of accelerated depreciation. The obligation related to severance costs and retention bonuses was fully satisfied as of April 30, 2020.

Note 4: Divestitures

On December 1, 2020, we sold the *Crisco* oils and shortening business to B&G Foods. The transaction included oils and shortening products sold under the *Crisco* brand, primarily in the U.S. and Canada, certain trademarks and licensing agreements, dedicated manufacturing and warehouse facilities located in Cincinnati, Ohio, and approximately 160 employees who supported the *Crisco* business. Under our ownership, the business generated net sales of \$198.9, \$269.2, and \$258.5 in 2021, 2020, and 2019, respectively, primarily included in the U.S. Retail Consumer Foods segment. We received net proceeds from the divestiture of \$530.2, which were net of cash transaction costs and a working capital adjustment.

On January 29, 2021, we sold the *Natural Balance* premium pet food business to Nexus. The transaction included pet food products sold under the *Natural Balance* brand, certain trademarks and licensing agreements, and select employees who supported the *Natural Balance* business. Under our ownership, the business generated net sales of \$156.7, \$222.8, and \$274.2 in 2021, 2020, and 2019, respectively, included in the U.S. Retail Pet Foods segment. We received net proceeds from the divestiture of \$33.8, which were net of cash transaction costs and a working capital adjustment.

Upon completion of these transactions during 2021, we recognized a pre-tax gain of \$114.8 related to the *Crisco* business and a pre-tax loss of \$89.5 related to the *Natural Balance* business, which were included in other operating expense (income) – net within the Statement of Consolidated Income.

The following table summarizes the net assets and liabilities disposed, which were measured at the lower of carrying amount or fair value less costs to sell.

	April 30, 2021	
	<i>Crisco</i>	<i>Natural Balance</i>
Assets disposed:		
Inventories	\$ 32.9	\$ 18.2
Property, plant, and equipment – net	37.2	—
Operating lease right-of-use assets	1.6	0.1
Goodwill	227.6	74.1
Other intangible assets – net	117.5	41.3
Other noncurrent assets	0.2	—
Total assets disposed	\$ 417.0	\$ 133.7
Liabilities disposed:		
Current operating lease liabilities	\$ 0.6	\$ —
Noncurrent operating lease liabilities	1.0	—
Deferred income taxes	—	10.1
Other noncurrent liabilities	—	0.3
Total liabilities disposed	1.6	10.4
Net assets disposed	\$ 415.4	\$ 123.3

On August 31, 2018, we sold our U.S. baking business to Brynwood Partners VII L.P. and Brynwood Partners VIII L.P., subsidiaries of Brynwood Partners, an unrelated party. The transaction included products that were primarily sold in U.S. retail channels under the *Pillsbury*, *Martha White*, *Hungry Jack*, *White Lily*, and *Jim Dandy* brands, along with all relevant trademarks and licensing agreements, and our manufacturing facility in Toledo, Ohio. This business generated net sales of \$105.9 in 2019, primarily included in the U.S. Retail Consumer Foods segment. The transaction did not include our baking business in Canada.

We received proceeds from the divestiture of \$369.5, which were net of cash transaction costs and a working capital adjustment. Upon completion of the transaction, we recognized a pre-tax gain of \$27.7 during 2019, which was included in other operating expense (income) – net within the Statement of Consolidated Income.

Note 5: Reportable Segments

We operate in one industry: the manufacturing and marketing of food and beverage products. We have three reportable segments: U.S. Retail Pet Foods, U.S. Retail Coffee, and U.S. Retail Consumer Foods. Effective during the first quarter of 2021, the presentation of International and Away From Home represents a combination of all other operating segments that are not individually reportable. As a result of leadership changes, these operating segments are being managed and reported separately and no longer represent a reportable segment for segment reporting purposes. Segment results for prior periods have not been modified, as the combination of these operating segments represents the previously reported International and Away From Home reportable segment.

The U.S. Retail Pet Foods segment primarily includes domestic sales of *Rachael Ray Nutrish*, *Meow Mix*, *Milk-Bone*, *9Lives*, *Kibbles 'n Bits*, *Pup-Peroni*, and *Nature's Recipe* branded products; the U.S. Retail Coffee segment primarily includes the domestic sales of *Folgers*, *Dunkin'*, and *Café Bustelo* branded coffee; and the U.S. Retail Consumer Foods segment primarily includes domestic sales of *Smucker's* and *Jif* branded products. International and Away From Home includes the sale of products distributed domestically and in foreign countries through retail channels and foodservice distributors and operators (e.g., health care operators, restaurants, lodging, hospitality, offices, K-12, colleges and universities, and convenience stores).

Segment profit represents net sales, less direct and allocable operating expenses, and is consistent with the way in which we manage our segments. However, we do not represent that the segments, if operated independently, would report operating profit equal to the segment profit set forth below, as segment profit excludes certain expenses such as corporate administrative expenses, gains and losses related to the sale of a business, unallocated derivative gains and losses, as well as amortization expense and impairment charges related to intangible assets. During 2021, we revised our segment profit calculation to exclude the impact of gains and losses related to the sale of a business, as we believe excluding these items from segment operating results is more reflective of ongoing operating performance. Prior year segment results have been modified to conform to the revised segment profit presentation.

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. We would expect that any gain or loss in the estimated fair value of the derivatives would generally be offset by a change in the estimated fair value of the underlying exposures.

The following table reconciles segment profit to income before income taxes and presents total assets, total depreciation, amortization, and impairment charges, and total additions to property, plant, and equipment by segment.

	Year Ended April 30,		
	2021	2020	2019
Net sales:			
U.S. Retail Pet Foods	\$ 2,844.5	\$ 2,869.5	\$ 2,879.5
U.S. Retail Coffee	2,374.6	2,149.5	2,122.3
U.S. Retail Consumer Foods	1,835.7	1,731.7	1,761.5
International and Away From Home	947.9	1,050.3	1,074.7
Total net sales	\$ 8,002.7	\$ 7,801.0	\$ 7,838.0
Segment profit:			
U.S. Retail Pet Foods	\$ 487.0	\$ 552.7	\$ 503.4
U.S. Retail Coffee	769.1	691.0	676.3
U.S. Retail Consumer Foods	472.5	389.7	378.4
International and Away From Home	124.1	173.4	198.5
Total segment profit	\$ 1,852.7	\$ 1,806.8	\$ 1,756.6
Amortization	(233.0)	(236.3)	(240.3)
Goodwill impairment charge	—	—	(97.9)
Other intangible assets impairment charges	(3.8)	(52.4)	(107.2)
Gain on divestitures – net	25.3	—	27.7
Interest expense – net	(177.1)	(189.2)	(207.9)
Unallocated derivative gains (losses)	93.6	19.6	(54.2)
Cost of products sold – special project costs ^(A)	(3.4)	—	—
Other special project costs ^(A)	(20.7)	(16.5)	(64.1)
Corporate administrative expenses	(323.9)	(298.1)	(292.0)
Other income (expense) – net	(37.8)	(7.2)	(19.1)
Income before income taxes	\$ 1,171.9	\$ 1,026.7	\$ 701.6
Assets:			
U.S. Retail Pet Foods	\$ 7,480.8	\$ 7,731.4	\$ 7,847.0
U.S. Retail Coffee	4,793.9	4,787.4	4,771.9
U.S. Retail Consumer Foods	2,553.4	2,873.1	2,850.8
International and Away From Home	1,013.8	1,048.0	1,019.5
Unallocated ^(B)	442.3	530.5	222.1
Total assets	\$ 16,284.2	\$ 16,970.4	\$ 16,711.3
Depreciation, amortization, and impairment charges:			
U.S. Retail Pet Foods	\$ 194.8	\$ 243.0	\$ 301.4
U.S. Retail Coffee	96.7	96.4	98.3
U.S. Retail Consumer Foods	75.4	72.5	162.4
International and Away From Home	50.2	51.9	52.8
Unallocated ^(C)	39.2	35.1	36.5
Total depreciation, amortization, and impairment charges	\$ 456.3	\$ 498.9	\$ 651.4
Additions to property, plant, and equipment:			
U.S. Retail Pet Foods	\$ 72.4	\$ 60.1	\$ 136.0
U.S. Retail Coffee	42.5	62.4	63.9
U.S. Retail Consumer Foods	167.4	107.7	138.9
International and Away From Home	24.4	39.1	21.0
Total additions to property, plant, and equipment	\$ 306.7	\$ 269.3	\$ 359.8

(A) Special project costs include integration and restructuring costs. For more information, see Note 3: Integration and Restructuring Costs.

(B) Primarily represents unallocated cash and cash equivalents and corporate-held investments.

(C) Primarily represents unallocated corporate administrative expense, mainly consisting of depreciation and software amortization.

The following table presents certain geographical information.

	Year Ended April 30,		
	2021	2020	2019
Net sales:			
United States	\$ 7,448.3	\$ 7,247.9	\$ 7,298.0
International:			
Canada	\$ 443.6	\$ 445.3	\$ 421.9
All other international	110.8	107.8	118.1
Total international	\$ 554.4	\$ 553.1	\$ 540.0
Total net sales	\$ 8,002.7	\$ 7,801.0	\$ 7,838.0
Assets:			
United States	\$ 15,879.7	\$ 16,547.6	\$ 16,338.0
International:			
Canada	\$ 402.7	\$ 421.3	\$ 362.1
All other international	1.8	1.5	11.2
Total international	\$ 404.5	\$ 422.8	\$ 373.3
Total assets	\$ 16,284.2	\$ 16,970.4	\$ 16,711.3
Long-lived assets (excluding goodwill and other intangible assets):			
United States	\$ 2,220.6	\$ 2,209.9	\$ 2,037.5
International:			
Canada	\$ 57.1	\$ 54.3	\$ 18.9
All other international	—	—	—
Total international	\$ 57.1	\$ 54.3	\$ 18.9
Total long-lived assets (excluding goodwill and other intangible assets)	\$ 2,277.7	\$ 2,264.2	\$ 2,056.4

The following table presents product category information.

	Year Ended April 30,			Primary Reportable Segment ^(A)
	2021	2020	2019	
Coffee	\$ 2,639.7	\$ 2,475.4	\$ 2,479.4	U.S. Retail Coffee
Dog food	1,090.8	1,217.6	1,313.1	U.S. Retail Pet Foods
Cat food	918.4	869.2	812.8	U.S. Retail Pet Foods
Pet snacks	907.3	849.7	815.1	U.S. Retail Pet Foods
Peanut butter	796.1	730.6	756.6	U.S. Retail Consumer Foods
Frozen handheld	430.3	365.0	289.0	U.S. Retail Consumer Foods
Fruit spreads	385.9	370.3	341.6	U.S. Retail Consumer Foods
Shortening and oils	193.9	262.3	253.6	U.S. Retail Consumer Foods
Juices and beverages	139.0	125.7	123.9	U.S. Retail Consumer Foods
Portion control	120.5	153.3	162.7	Other ^(C)
Baking mixes and ingredients	93.5	89.9	185.2	Other ^{(B)(C)}
Other	287.3	292.0	305.0	Other ^(C)
Total net sales	\$ 8,002.7	\$ 7,801.0	\$ 7,838.0	

(A) The primary reportable segment generally represents at least 75 percent of total net sales for each respective product category.

(B) During 2019, the primary reportable segment was U.S. Retail Consumer Foods, as the majority of the net sales within this category were related to the divested U.S. baking business. For more information, see Note 4: Divestitures.

(C) Represents the combined International and Away From Home operating segments.

Sales to Walmart Inc. and subsidiaries amounted to 32 percent of net sales in 2021, 2020, and 2019. These sales are primarily included in our U.S. retail market segments. No other customer exceeded 10 percent of net sales for any year. Trade receivables – net at April 30, 2021 and 2020, included amounts due from Walmart Inc. and subsidiaries of \$149.7 and \$131.9, respectively.

Note 6: Earnings Per Share

The following table sets forth the computation of net income per common share and net income per common share – assuming dilution under the two-class method.

	Year Ended April 30,		
	2021	2020	2019
Net income	\$ 876.3	\$ 779.5	\$ 514.4
Less: Net income allocated to participating securities	3.7	4.4	2.6
Net income allocated to common stockholders	\$ 872.6	\$ 775.1	\$ 511.8
Weighted-average common shares outstanding	112.0	113.4	113.1
Add: Dilutive effect of stock options	—	—	—
Weighted-average common shares outstanding – assuming dilution	112.0	113.4	113.1
Net income per common share	\$ 7.79	\$ 6.84	\$ 4.52
Net income per common share – assuming dilution	\$ 7.79	\$ 6.84	\$ 4.52

Note 7: Goodwill and Other Intangible Assets

The following table summarizes the changes in our goodwill.

	U.S. Retail Pet Foods	U.S. Retail Coffee	U.S. Retail Consumer Foods	International and Away From Home	Total
Balance at May 1, 2019	\$ 2,442.3	\$ 2,090.9	\$ 1,358.2	\$ 419.5	\$ 6,310.9
Other ^(A)	—	—	—	(6.4)	(6.4)
Balance at April 30, 2020	\$ 2,442.3	\$ 2,090.9	\$ 1,358.2	\$ 413.1	\$ 6,304.5
Divestitures	(74.1)	—	(210.7)	(16.9)	(301.7)
Other ^(A)	—	—	—	20.8	20.8
Balance at April 30, 2021 ^(B)	\$ 2,368.2	\$ 2,090.9	\$ 1,147.5	\$ 417.0	\$ 6,023.6

(A) The amounts classified as other represent foreign currency exchange adjustments.

(B) Included in goodwill as of April 30, 2021, are accumulated goodwill impairment charges of \$242.9.

The following table summarizes our other intangible assets and related accumulated amortization and impairment charges, including foreign currency exchange adjustments.

	April 30, 2021			April 30, 2020		
	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Exchange	Net	Acquisition Cost	Accumulated Amortization/ Impairment Charges/ Foreign Currency Exchange	Net
Finite-lived intangible assets subject to amortization:						
Customer and contractual relationships	\$ 4,471.1	\$ 1,545.0	\$ 2,926.1	\$ 4,471.1	\$ 1,353.0	\$ 3,118.1
Patents and technology	168.5	147.3	21.2	168.5	138.4	30.1
Trademarks	364.5	186.7	177.8	662.0	311.0	351.0
Total intangible assets subject to amortization	\$ 5,004.1	\$ 1,879.0	\$ 3,125.1	\$ 5,301.6	\$ 1,802.4	\$ 3,499.2
Indefinite-lived intangible assets not subject to amortization:						
Trademarks	\$ 3,141.1	\$ 225.0	\$ 2,916.1	\$ 3,158.1	\$ 228.3	\$ 2,929.8
Total other intangible assets	\$ 8,145.2	\$ 2,104.0	\$ 6,041.2	\$ 8,459.7	\$ 2,030.7	\$ 6,429.0

The decrease in finite-lived intangible assets from April 30, 2020, includes the divestitures of the *Crisco* and *Natural Balance* trademarks during the third quarter of 2021. For additional information, see Note 4: Divestitures.

Amortization expense for finite-lived intangible assets was \$232.0, \$235.3, and \$239.1 in 2021, 2020, and 2019, respectively. The weighted-average useful lives of the customer and contractual relationships, patents and technology, and trademarks are 24 years, 15 years, and 15 years, respectively. The weighted-average useful life of total finite-lived intangible assets is 24 years. Based on the carrying value of intangible assets subject to amortization at April 30, 2021, the estimated amortization expense is \$221.6 for 2022, \$214.2 for 2023, \$209.6 for 2024, \$206.0 for 2025, and \$205.0 for 2026.

We review goodwill and other indefinite-lived intangible assets for impairment at least annually on February 1 and more often if indicators of impairment exist. As of February 1, 2021, we completed the annual impairment review, in which goodwill impairment was tested at the reporting unit level for our six reporting units with goodwill. As part of our annual evaluation, we did not recognize any impairment charges related to goodwill or any of our material indefinite-lived trademarks. However, we did recognize an impairment charge of \$3.8 related to an immaterial trademark within the U.S. Retail Consumer Foods segment. For the majority of the reporting units and indefinite-lived intangible assets, the estimated fair value was substantially in excess of the carrying value, and in all instances, the estimated fair value exceeded the carrying value by greater than 10 percent, with the exception of the Pet Foods reporting unit and the *Rachael Ray Nutrish* brand within the U.S. Retail Pet Foods segment. The carrying values of the goodwill and indefinite-lived intangible assets within the U.S. Retail Pet Foods segment were \$2.4 billion and \$1.4 billion, respectively, as of April 30, 2021. These intangible assets remain susceptible to future impairment charges due to narrow differences between fair value and carrying value. Additional sensitivity analyses were performed for the Pet Foods reporting unit, assuming a hypothetical 50-basis-point decrease in the expected long-term growth rate or a hypothetical 50-basis-point increase in the weighted-average cost of capital. Both scenarios independently yielded an estimated fair value for the Pet Foods reporting unit below carrying value. Therefore, any significant adverse change in our near or long-term projections or macroeconomic conditions could result in future impairment charges, which could be material.

In addition, we continue to evaluate the nature and extent to which COVID-19 could impact our business, specifically as it relates to the fair value of our goodwill and indefinite-lived intangible assets. While we have concluded there were no indicators of impairment as of April 30, 2021, any significant sustained adverse change in consumer purchasing behaviors, government restrictions, financial results, or macroeconomic conditions could result in future impairment, specifically as it relates to the Away From Home reporting unit, which has experienced a decline in demand as a result of COVID-19. As of April 30, 2021, the goodwill related to the Away From Home reporting unit represented approximately 60 percent of the goodwill within the combined International and Away From Home operating segments.

During 2020, we recognized an impairment charge of \$52.4 related to the recently divested *Natural Balance* brand within the U.S. Retail Pet Foods segment due to a decline in the 2020 and long-term net sales expectations and the royalty rate used in the interim analysis, primarily driven by the market environment and re-positioning of this brand within the Pet Foods brand portfolio. This charge was included as a noncash charge in our Statement of Consolidated Income. As a result of a change in our long-term strategic expectations for the brand, we reclassified the *Natural Balance* brand as a finite-lived intangible asset as of February 1, 2020.

Note 8: Debt and Financing Arrangements

The following table summarizes the components of our long-term debt.

	April 30, 2021		April 30, 2020	
	Principal Outstanding	Carrying Amount ^(A)	Principal Outstanding	Carrying Amount ^(A)
3.50% Senior Notes due October 15, 2021	\$ 750.0	\$ 753.5	\$ 750.0	\$ 761.1
3.00% Senior Notes due March 15, 2022	400.0	399.4	400.0	398.7
3.50% Senior Notes due March 15, 2025	1,000.0	996.8	1,000.0	996.0
3.38% Senior Notes due December 15, 2027	500.0	497.1	500.0	496.7
2.38% Senior Notes due March 15, 2030	500.0	495.7	500.0	495.2
4.25% Senior Notes due March 15, 2035	650.0	644.3	650.0	643.9
4.38% Senior Notes due March 15, 2045	600.0	587.1	600.0	586.5
3.55% Senior Notes due March 15, 2050	300.0	295.8	300.0	295.7
Term Loan Credit Agreement due May 14, 2021	—	—	700.0	699.5
Total long-term debt	\$ 4,700.0	\$ 4,669.7	\$ 5,400.0	\$ 5,373.3
Current portion of long-term debt	1,150.0	1,152.9	—	—
Total long-term debt, less current portion	\$ 3,550.0	\$ 3,516.8	\$ 5,400.0	\$ 5,373.3

(A) Represents the carrying amount included in the Consolidated Balance Sheets, which includes the impact of capitalized debt issuance costs, offering discounts, and terminated interest rate contracts.

During the third quarter of 2021, we prepaid, in full, the remaining outstanding balance of the \$1.5 billion Term Loan that was entered into in April 2018 to partially finance the Ainsworth acquisition, as discussed in Note 2: Acquisition. During 2021 and 2020, we prepaid \$700.0 and \$100.0 on the Term Loan, respectively.

In 2020, we completed an offering of \$800.0 in Senior Notes due March 15, 2030, and March 15, 2050. A portion of the net proceeds from the offering was used to repay the \$500.0 Senior Notes due March 15, 2020, with the balance being held as a cash equivalent to be used for general corporate purposes. Concurrent with the pricing of these Senior Notes, we terminated interest rate contracts that were designated as cash flow hedges and were used to manage our exposure to interest rate volatility associated with the anticipated debt financing. The termination resulted in a pre-tax loss of \$239.8, which was deferred and included as a component of accumulated other comprehensive income (loss) and is being amortized as interest expense over the life of the debt. For additional information, see Note 10: Derivative Financial Instruments.

All of our Senior Notes outstanding at April 30, 2021, are unsecured, and interest is paid semiannually, with no required scheduled principal payments until maturity. We may prepay all or part of the Senior Notes at 100 percent of the principal amount thereof, together with the accrued and unpaid interest, and any applicable make-whole amount.

We have available a \$1.8 billion unsecured revolving credit facility with a group of 11 banks that matures in September 2022. Borrowings under the revolving credit facility bear interest on the prevailing U.S. Prime Rate, LIBOR, or Canadian Dealer Offered Rate, based on our election. Interest is payable either on a quarterly basis or at the end of the borrowing term. We did not have a balance outstanding under the revolving credit facility at April 30, 2021 or 2020.

We participate in a commercial paper program under which we can issue short-term, unsecured commercial paper not to exceed \$1.8 billion at any time. The commercial paper program is backed by our revolving credit facility and reduces what we can borrow under the revolving credit facility by the amount of commercial paper outstanding. Commercial paper will be used as a continuing source of short-term financing for general corporate purposes. As of April 30, 2021 and 2020, we had \$82.0 and \$248.0 of short-term borrowings outstanding, respectively, which were issued under our commercial paper program at weighted-average interest rates of 0.17 percent and 0.40 percent, respectively.

Interest paid totaled \$169.9, \$193.4, and \$213.3 in 2021, 2020, and 2019, respectively. This differs from interest expense due to capitalized interest, amortization of debt issuance costs and discounts, effect of interest rate contracts, payment of other debt fees, and the timing of interest payments.

Our debt instruments contain certain financial covenant restrictions, including a leverage ratio and an interest coverage ratio. We are in compliance with all covenants.

Note 9: Pensions and Other Postretirement Benefits

We have defined benefit pension plans covering certain U.S. and Canadian employees. Pension benefits are based on the employee's years of service and compensation levels. Our plans are funded in conformity with the funding requirements of applicable government regulations.

In addition to providing pension benefits, we sponsor several unfunded postretirement plans that provide health care and life insurance benefits to certain retired U.S. and Canadian employees. These plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features, such as deductibles and coinsurance. Covered employees generally are eligible for these benefits when they reach age 55 and have attained 10 years of credited service.

The following table summarizes the components of net periodic benefit cost and the change in accumulated other comprehensive income (loss) related to the defined benefit pension and other postretirement plans.

	Defined Benefit Pension Plans			Other Postretirement Benefits		
	Year Ended April 30,			Year Ended April 30,		
	2021	2020	2019	2021	2020	2019
Service cost	\$ 1.8	\$ 1.6	\$ 2.1	\$ 1.8	\$ 1.8	\$ 1.9
Interest cost	14.4	20.9	23.2	1.8	2.3	2.3
Expected return on plan assets	(19.3)	(24.1)	(26.8)	—	—	—
Amortization of prior service cost (credit)	0.9	0.9	0.9	(1.0)	(1.1)	(1.3)
Amortization of net actuarial loss (gain)	10.9	7.9	8.3	—	(0.3)	(0.6)
Curtailement loss (gain)	—	—	0.3	—	—	—
Settlement loss (gain)	35.5	0.1	7.1	—	—	—
Termination benefit cost	—	0.2	—	—	—	0.2
Net periodic benefit cost	<u>\$ 44.2</u>	<u>\$ 7.5</u>	<u>\$ 15.1</u>	<u>\$ 2.6</u>	<u>\$ 2.7</u>	<u>\$ 2.5</u>
Other changes in plan assets and benefit liabilities recognized in accumulated other comprehensive income (loss) before income taxes:						
Prior service credit (cost) arising during the year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2.0)
Net actuarial gain (loss) arising during the year	14.3	(51.6)	(22.9)	5.9	(4.4)	(2.8)
Amortization of prior service cost (credit)	0.9	0.9	0.9	(1.0)	(1.1)	(1.3)
Amortization of net actuarial loss (gain)	10.9	7.9	8.3	—	(0.3)	(0.6)
Curtailement loss (gain)	—	—	0.3	—	—	—
Settlement loss (gain)	35.5	0.1	7.1	—	—	—
Foreign currency translation	(1.5)	1.1	1.2	0.2	—	—
Net change for year	<u>\$ 60.1</u>	<u>\$ (41.6)</u>	<u>\$ (5.1)</u>	<u>\$ 5.1</u>	<u>\$ (5.8)</u>	<u>\$ (6.7)</u>
Weighted-average assumptions used in determining net periodic benefit costs:						
U.S. plans:						
Discount rate used to determine benefit obligation	3.05 %	3.99 %	4.17 %	2.98 %	3.91 %	4.13 %
Discount rate used to determine service cost	3.34	4.20	4.29	3.18	4.07	4.23
Discount rate used to determine interest cost	2.54	3.61	3.87	2.42	3.47	3.79
Expected return on plan assets	4.96	5.28	5.66	—	—	—
Rate of compensation increase	3.58	3.56	3.59	—	—	—
Canadian plans:						
Discount rate used to determine benefit obligation	2.95 %	3.21 %	3.57 %	2.93 %	3.19 %	3.55 %
Discount rate used to determine service cost	3.06	3.29	3.64	3.19	3.44	3.77
Discount rate used to determine interest cost	2.47	2.86	3.23	2.46	2.86	3.23
Expected return on plan assets	3.00	5.00	5.25	—	—	—
Rate of compensation increase	3.00	3.00	3.00	—	—	—

We amortize gains and losses for our postretirement plans over the average expected future period of vested service. For plans that consist of less than 5 percent of participants that are active, average life expectancy is used instead of the average expected future service period.

We use a measurement date of April 30 to determine defined benefit pension and other postretirement benefit plans' assets and benefit obligations. The following table sets forth the combined status of the plans as recognized in the Consolidated Balance Sheets.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 652.3	\$ 615.5	\$ 74.5	\$ 70.1
Service cost	1.8	1.6	1.8	1.8
Interest cost	14.4	20.9	1.8	2.3
Actuarial loss (gain) ^(A)	10.8	61.8	(5.9)	4.4
Benefits paid	(35.9)	(39.6)	(3.4)	(3.8)
Settlement	(101.2)	(4.9)	—	—
Termination benefit cost	—	0.2	—	—
Foreign currency translation adjustments	4.6	(3.2)	0.8	(0.3)
Benefit obligation at end of year	<u>\$ 546.8</u>	<u>\$ 652.3</u>	<u>\$ 69.6</u>	<u>\$ 74.5</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 471.6	\$ 480.3	\$ —	\$ —
Actual return on plan assets	44.5	34.3	—	—
Company contributions	13.1	5.1	3.4	3.8
Benefits paid	(35.9)	(39.6)	(3.4)	(3.8)
Settlement	(101.2)	(4.9)	—	—
Foreign currency translation adjustments	5.7	(3.6)	—	—
Fair value of plan assets at end of year	<u>\$ 397.8</u>	<u>\$ 471.6</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status of the plans	<u>\$ (149.0)</u>	<u>\$ (180.7)</u>	<u>\$ (69.6)</u>	<u>\$ (74.5)</u>
Defined benefit pensions	\$ (151.9)	\$ (179.3)	\$ —	\$ —
Other noncurrent assets	7.5	11.6	—	—
Accrued compensation	(4.6)	(13.0)	(5.3)	(4.5)
Other postretirement benefits	—	—	(64.3)	(70.0)
Net benefit liability	<u>\$ (149.0)</u>	<u>\$ (180.7)</u>	<u>\$ (69.6)</u>	<u>\$ (74.5)</u>

(A) The actuarial losses and gains for our defined benefit pension plans and other postretirement benefits were primarily due to changes in the discount rates used in determining the plan obligations.

The following table summarizes amounts recognized in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets, before income taxes.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2021	2020	2021	2020
Net actuarial gain (loss)	\$ (140.5)	\$ (199.7)	\$ 11.6	\$ 5.5
Prior service credit (cost)	(1.7)	(2.6)	3.7	4.7
Total recognized in accumulated other comprehensive income (loss)	<u>\$ (142.2)</u>	<u>\$ (202.3)</u>	<u>\$ 15.3</u>	<u>\$ 10.2</u>

The following table sets forth the weighted-average assumptions used in determining the benefit obligations.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2021	2020	2021	2020
U.S. plans:				
Discount rate	3.13 %	3.05 %	2.97 %	2.98 %
Rate of compensation increase	3.55	3.58	—	—
Interest crediting rate	4.50	4.50	—	—
Canadian plans:				
Discount rate	2.15 %	2.95 %	3.03 %	2.93 %
Rate of compensation increase	—	3.00	—	—

For 2022, the assumed health care trend rates are 6.0 percent and 4.5 percent for the U.S. and Canadian plans, respectively. The rate for participants under age 65 is assumed to decrease to 5.0 percent in calendar year 2026 for the U.S. plan and remain at 4.5 percent for the Canadian plan. The health care cost trend rate assumption impacts the amount of the other postretirement benefits obligation and periodic other postretirement benefits cost reported.

The following table sets forth selective information pertaining to our Canadian pension and other postretirement benefit plans, which is included in the consolidated information presented on pages 62 and 63.

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	Year Ended April 30,		Year Ended April 30,	
	2021	2020	2021	2020
Benefit obligation at end of year	\$ 2.0	\$ 80.1	\$ 6.1	\$ 6.8
Fair value of plan assets at end of year	8.9	91.0	—	—
Funded status of the plans	\$ 6.9	\$ 10.9	\$ (6.1)	\$ (6.8)
Components of net periodic benefit cost:				
Service cost	\$ —	\$ 0.1	\$ —	\$ —
Interest cost	0.9	2.3	0.2	0.2
Expected return on plan assets	(1.1)	(4.4)	—	—
Amortization of net actuarial loss (gain)	0.4	1.1	—	—
Settlement loss (gain)	29.6	—	—	—
Termination benefit cost	—	0.2	—	—
Net periodic benefit cost (credit)	\$ 29.8	\$ (0.7)	\$ 0.2	\$ 0.2
Changes in plan assets:				
Actual return on plan assets	\$ 0.9	\$ 9.2	\$ —	\$ —
Company contributions	(1.1)	0.1	0.4	0.3
Benefits paid	(4.4)	(6.8)	(0.4)	(0.3)
Settlement	(83.2)	—	—	—
Foreign currency translation	5.7	(3.6)	—	—

During the second quarter of 2021, we transferred \$82.6 of our Canadian defined benefit pension plan obligations to an insurance company through the purchase of an irrevocable group annuity contract (referred to as a buy-out contract). The group annuity contract was purchased using assets from the pension trust. As a result of this transaction, we recognized noncash pre-tax settlement charges of \$29.6 during 2021 to accelerate the unrecognized losses within accumulated other comprehensive income (loss) that would have otherwise been recognized in subsequent periods. These settlement charges were included within other income (expense) – net in the Statement of Consolidated Income.

The following table sets forth additional information related to our defined benefit pension plans.

	April 30,	
	2021	2020
Accumulated benefit obligation for all pension plans	\$ 538.3	\$ 642.8
Plans with an accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	\$ 536.9	\$ 563.4
Fair value of plan assets	388.9	380.6
Plans with a projected benefit obligation in excess of plan assets:		
Projected benefit obligation	\$ 545.4	\$ 572.9
Fair value of plan assets	388.9	380.6

We employ a total return on investment approach for the defined benefit pension plans' assets. A mix of equity, fixed-income, and alternative investments is used to maximize the long-term rate of return on assets for the level of risk. In determining the expected long-term rate of return on the defined benefit pension plans' assets, we consider the historical rates of return, the nature of investments, the asset allocation, and expectations of future investment strategies. The actual rate of return was 12.9 percent and 7.8 percent for the years ended April 30, 2021 and 2020, respectively, which excludes administrative and investment expenses.

Our current investment policy is to invest approximately 62 percent of assets in fixed-income securities, with the remaining invested primarily in equity securities.

The following tables summarize the major asset classes for the U.S. and Canadian defined benefit pension plans and the levels within the fair value hierarchy for those assets measured at fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at April 30, 2021
Cash and cash equivalents ^(A)	\$ 10.1	\$ —	\$ —	\$ 10.1
Equity securities:				
U.S. ^(B)	49.9	—	—	49.9
International ^(C)	57.4	—	—	57.4
Fixed-income securities:				
Bonds ^(D)	224.5	—	—	224.5
Fixed income ^(E)	13.6	—	—	13.6
Other types of investments ^(F)	—	39.9	—	39.9
Total financial assets measured at fair value	<u>\$ 355.5</u>	<u>\$ 39.9</u>	<u>\$ —</u>	<u>\$ 395.4</u>
Total financial assets measured at net asset value ^(G)				2.4
Total plan assets				<u>\$ 397.8</u>

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at April 30, 2020
Cash and cash equivalents ^(A)	\$ 2.1	\$ —	\$ —	\$ 2.1
Equity securities:				
U.S. ^(B)	51.2	—	—	51.2
International ^(C)	65.9	—	—	65.9
Fixed-income securities:				
Bonds ^(D)	212.1	—	—	212.1
Fixed income ^(E)	93.4	—	—	93.4
Other types of investments ^(F)	—	41.8	—	41.8
Total financial assets measured at fair value	\$ 424.7	\$ 41.8	\$ —	\$ 466.5
Total financial assets measured at net asset value ^(G)				5.1
Total plan assets				\$ 471.6

(A) This category includes money market holdings with maturities of three months or less and are classified as Level 1 assets. Based on the short-term nature of these assets, carrying value approximates fair value.

(B) This category is invested in a diversified portfolio of common stocks and index funds that primarily invest in U.S. stocks with broad market capitalization ranges similar to those found in the S&P 500 Index and/or the various Russell Indices, and are traded on active exchanges. The Level 1 assets are valued using quoted market prices for identical securities in active markets.

(C) This category is invested primarily in common stocks and other equity securities traded on active exchanges of foreign issuers located outside the U.S. The fund invests primarily in developed countries, but may also invest in emerging markets. The Level 1 assets are valued using quoted market prices for identical securities in active markets.

(D) This category is primarily composed of bond funds, which seek to duplicate the return characteristics of high-quality U.S. and foreign corporate bonds with a duration range of 10 to 13 years, as well as various U.S. Treasury Separate Trading of Registered Interest and Principal holdings, with wide-ranging maturity dates. These assets are valued using quoted market prices for identical securities in active markets and are classified as Level 1 assets.

(E) This category is composed of fixed-income funds that invest primarily in government-related bonds of non-U.S. issuers and include investments in the Canadian, as well as emerging markets. These assets are valued using quoted market prices for identical securities in active markets and are classified as Level 1 assets.

(F) This category is composed of a real estate fund whereby the underlying investments are contained in the Canadian market and a common collective trust fund investing in direct commercial property funds. The real estate fund and the collective trust fund investing in direct commercial property are classified as Level 2 assets, whereby the underlying securities are valued utilizing quoted market prices for identical securities in active markets and based on the quoted market prices of the underlying investments in the common collective trust, respectively.

(G) This category is composed of a private equity fund that consists primarily of limited partnership interests in corporate finance and venture capital funds, as well as a private limited investment partnership. The fair value estimates of the private equity fund and private limited investment partnership are based on the underlying funds' net asset values. Furthermore, as a practical expedient equivalent to our defined benefit plan's ownership interest in the partners' capital, a proportionate share of the net assets is attributed and further corroborated by our review. The private equity fund and private limited investment partnership are non-redeemable, and the return of principal is based on the liquidation of the underlying assets. In accordance with ASU 2015-07, the private equity fund and private limited investment partnership are removed from the total financial assets measured at fair value and disclosed separately.

In 2022, we expect to make contributions of approximately \$2.7, while making direct benefit payments of approximately \$10.0. Further, we expect the following payments to be made from the defined benefit pension and other postretirement benefit plans: \$56.3 in 2022, \$46.7 in 2023, \$40.7 in 2024, \$39.1 in 2025, \$38.0 in 2026, and \$172.7 in 2027 through 2031.

Multi-Employer Pension Plan: We participate in one multi-employer pension plan, the Bakery and Confectionery Union and Industry International Pension Fund ("Bakery and Confectionery Union Fund") (52-6118572), which provides defined benefits to certain union employees. During 2021 and 2020, a total of \$2.5 and \$2.2 was contributed to the plan, respectively, and we anticipate contributions of \$2.3 in 2022.

The risks of participating in multi-employer pension plans are different from the risks of participating in single-employer pension plans. For instance, the assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, and if a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to the withdrawing employer may be the responsibility of the remaining

participating employers. Additionally, if we stop participating in the multi-employer pension plan, we may be required to pay the plan an amount based on our allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The Pension Protection Act of 2006 ranks the funded status of multi-employer pension plans depending upon a plan's current and projected funding. A plan is in the Red Zone (Critical) if it has a current funded percentage less than 65 percent. A plan is in the Yellow Zone (Endangered) if it has a current funded percentage of less than 80 percent or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80 percent and does not have a projected credit balance deficit within seven years. The zone status is based on the plan's year-end, not our fiscal year-end. The zone status is based on information that we received from the plan and is certified by the plan's actuary. During calendar year 2020, the Bakery and Confectionery Union Fund was in Red Zone status, as the current funding status was 48.3 percent. A funding improvement plan, or rehabilitation plan, has been implemented.

Note 10: Derivative Financial Instruments

We are exposed to market risks, such as changes in commodity prices, foreign currency exchange rates, and interest rates. To manage the volatility related to these exposures, we enter into various derivative transactions. We have policies in place that define acceptable instrument types we may enter into and establish controls to limit our market risk exposure.

Commodity Derivatives: We enter into commodity derivatives to manage the price volatility and reduce the variability of future cash flows related to anticipated inventory purchases of key raw materials, notably green coffee, corn, soybean meal, wheat, and edible oils. We also enter into commodity derivatives to manage price risk for energy input costs, including diesel fuel and natural gas. Our derivative instruments generally have maturities of less than one year.

We do not qualify commodity derivatives for hedge accounting treatment, and as a result, the derivative gains and losses are immediately recognized in earnings. Although we do not perform the assessments required to achieve hedge accounting for derivative positions, we believe all of our commodity derivatives are economic hedges of our risk exposure.

The commodities hedged have a high inverse correlation to price changes of the derivative instrument. Thus, we would expect that over time any gain or loss in the estimated fair value of the derivatives would generally be offset by an increase or decrease in the estimated fair value of the underlying exposures.

Foreign Currency Exchange Derivatives: We utilize foreign currency derivatives to manage the effect of foreign currency exchange fluctuations on future cash payments primarily related to purchases of certain raw materials and finished goods. The contracts generally have maturities of less than one year. We do not qualify instruments used to manage foreign currency exchange exposures for hedge accounting treatment.

Interest Rate Derivatives: We utilize derivative instruments to manage interest rate risk associated with anticipated debt transactions, as well as to manage changes in the fair value of our long-term debt. At the inception of an interest rate contract, the instrument is evaluated and documented for qualifying hedge accounting treatment. If the contract is designated as a cash flow hedge, the mark-to-market gains or losses on the contract are deferred and included as a component of accumulated other comprehensive income (loss) and reclassified to interest expense in the period during which the hedged transaction affects earnings. If the contract is designated as a fair value hedge, the contract is recognized at fair value on the balance sheet and changes in the fair value are recognized in interest expense. Generally, changes in the fair value of the contract are equal to changes in the fair value of the underlying debt and have no net impact on earnings.

The following table presents the gross notional value of outstanding derivative contracts.

	Year Ended April 30,	
	2021	2020
Commodity contracts	\$ 861.0	\$ 890.1
Foreign currency exchange contracts	88.4	65.6

The following tables set forth the gross fair value amounts of derivative instruments recognized in the Consolidated Balance Sheets.

April 30, 2021				
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 52.6	\$ 13.2	\$ —	\$ —
Foreign currency exchange contracts	0.1	3.7	—	—
Total derivative instruments	<u>\$ 52.7</u>	<u>\$ 16.9</u>	<u>\$ —</u>	<u>\$ —</u>
April 30, 2020				
	Other Current Assets	Other Current Liabilities	Other Noncurrent Assets	Other Noncurrent Liabilities
Derivatives not designated as hedging instruments:				
Commodity contracts	\$ 14.7	\$ 33.2	\$ —	\$ —
Foreign currency exchange contracts	2.4	0.1	—	—
Total derivative instruments	<u>\$ 17.1</u>	<u>\$ 33.3</u>	<u>\$ —</u>	<u>\$ —</u>

We have elected to not offset fair value amounts recognized for our exchange-traded derivative instruments and our cash margin accounts executed with the same counterparty that are generally subject to enforceable netting agreements. We are required to maintain cash margin accounts in connection with funding the settlement of our open positions. At April 30, 2021, our cash margin accounts represented collateral received of \$10.8, and at April 30, 2020, our cash margin accounts represented collateral pledged of \$43.2, included in other current assets in the Consolidated Balance Sheets. The change in the cash margin account balances is included in other – net, investing activities in the Statements of Consolidated Cash Flows. In the event of default and immediate net settlement of all of our open positions with individual counterparties, all of our derivative liabilities would be fully offset by either our derivative asset positions or margin accounts based on the net asset or liability position with our individual counterparties. Cash flows associated with the settlement of derivative instruments are classified in the same line item as the cash flows of the related hedged item, which is within operating activities in the Statements of Consolidated Cash Flows.

Economic Hedges

The following table presents the net gains and losses recognized in cost of products sold on derivatives not designated as hedging instruments.

Year Ended April 30,			
	2021	2020	2019
Gains (losses) on commodity contracts	\$ 101.4	\$ (31.4)	\$ (98.6)
Gains (losses) on foreign currency exchange contracts	(8.8)	2.3	3.0
Total gains (losses) recognized in costs of products sold	<u>\$ 92.6</u>	<u>\$ (29.1)</u>	<u>\$ (95.6)</u>

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. The following table presents the activity in unallocated derivative gains and losses.

Year Ended April 30,			
	2021	2020	2019
Net gains (losses) on mark-to-market valuation of unallocated derivative positions	\$ 92.6	\$ (29.1)	\$ (95.6)
Less: Net gains (losses) on derivative positions reclassified to segment operating profit	(1.0)	(48.7)	(41.4)
Unallocated derivative gains (losses)	<u>\$ 93.6</u>	<u>\$ 19.6</u>	<u>\$ (54.2)</u>

As of April 30, 2021, the net cumulative unallocated derivative gains were \$60.7, and at April 30, 2020 the net cumulative unallocated derivative losses were \$32.9.

Cash Flow Hedges

In 2020, we terminated interest rate contracts concurrent with the pricing of the Senior Notes due March 15, 2030, and March 15, 2050. They were designated as cash flow hedges and were used to manage our exposure to interest rate volatility associated with the anticipated debt financing. The termination resulted in a pre-tax loss of \$239.8, which was deferred and included as a component of other accumulated other comprehensive income (loss) and is being amortized as interest expense over the life of the debt.

In 2018, we terminated a treasury lock concurrent with the pricing of the Senior Notes due December 15, 2027, which was designated as a cash flow hedge and used to manage our exposure to interest rate volatility. The termination resulted in a pre-tax gain of \$2.7, which was deferred and included as a component of accumulated other comprehensive income (loss) and is being amortized as a reduction to interest expense over the life of the debt.

Interest expense – net, as presented in the Statements of Consolidated Income, was \$177.1, \$189.2, and \$207.9 in 2021, 2020, and 2019, respectively. The following table presents information on the pre-tax gains and losses recognized on all contracts previously designated as cash flow hedges.

	Year Ended April 30,		
	2021	2020	2019
Gains (losses) recognized in other comprehensive income (loss)	\$ —	\$ (190.7)	\$ (49.1)
Less: Gains (losses) reclassified from accumulated other comprehensive income (loss) to interest expense	(13.8)	(2.1)	(0.4)
Change in accumulated other comprehensive income (loss)	\$ 13.8	\$ (188.6)	\$ (48.7)

Included as a component of accumulated other comprehensive income (loss) at April 30, 2021 and 2020, were deferred net pre-tax losses of \$227.3 and \$241.1, respectively, related to the terminated interest rate contracts. The related net tax benefit recognized in accumulated other comprehensive income (loss) was \$52.5 and \$55.5 at April 30, 2021 and 2020, respectively. Approximately \$13.6 of the net pre-tax loss will be recognized over the next 12 months related to the terminated interest rate contracts.

Fair Value Hedges

In 2015, we terminated the interest rate swap on the Senior Notes due October 15, 2021, which was designated as a fair value hedge and used to hedge against the changes in the fair value of the debt. As a result of the early termination, we received \$58.1 in cash, which included \$4.6 of accrued and prepaid interest. The gain on termination was recorded as an increase in the long-term debt balance and is being recognized over the life of the debt as a reduction of interest expense. To date, we have recognized \$49.5 of the gain, of which \$8.4, \$8.1, and \$8.0 were recognized in 2021, 2020, and 2019, respectively. The remaining gain of \$4.0 will be recognized in 2022.

Note 11: Other Financial Instruments and Fair Value Measurements

Financial instruments, other than derivatives, that potentially subject us to significant concentrations of credit risk consist principally of cash investments, short-term borrowings, and trade receivables. The carrying value of these financial instruments approximates fair value. Our remaining financial instruments, with the exception of long-term debt, are recognized at estimated fair value in the Consolidated Balance Sheets.

The following table provides information on the carrying amounts and fair values of our financial instruments.

	April 30, 2021		April 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Marketable securities and other investments	\$ 31.0	\$ 31.0	\$ 38.6	\$ 38.6
Derivative financial instruments – net	35.8	35.8	(16.2)	(16.2)
Total long-term debt	(4,669.7)	(5,034.5)	(5,373.3)	(5,740.6)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions.

The following tables summarize the fair values and the levels within the fair value hierarchy in which the fair value measurements fall for our financial instruments.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2021
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 6.3	\$ —	\$ —	\$ 6.3
Municipal obligations	—	24.4	—	24.4
Money market funds	0.3	—	—	0.3
Derivative financial instruments: ^(B)				
Commodity contracts – net	39.4	—	—	39.4
Foreign currency exchange contracts – net	(0.4)	(3.2)	—	(3.6)
Total long-term debt ^(C)	(5,034.5)	—	—	(5,034.5)
Total financial instruments measured at fair value	\$ (4,988.9)	\$ 21.2	\$ —	\$ (4,967.7)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at April 30, 2020
Marketable securities and other investments: ^(A)				
Equity mutual funds	\$ 8.7	\$ —	\$ —	\$ 8.7
Municipal obligations	—	24.2	—	24.2
Money market funds	5.7	—	—	5.7
Derivative financial instruments: ^(B)				
Commodity contracts – net	(18.3)	(0.2)	—	(18.5)
Foreign currency exchange contracts – net	0.2	2.1	—	2.3
Total long-term debt ^(C)	(5,032.0)	(708.6)	—	(5,740.6)
Total financial instruments measured at fair value	\$ (5,035.7)	\$ (682.5)	\$ —	\$ (5,718.2)

(A) Marketable securities and other investments consist of funds maintained for the payment of benefits associated with nonqualified retirement plans. The funds include equity securities listed in active markets, municipal obligations valued by a third-party using valuation techniques that utilize inputs that are derived principally from or corroborated by observable market data, and money market funds with maturities of three months or less. Based on the short-term nature of these money market funds, carrying value approximates fair value. As of April 30, 2021, our municipal obligations are scheduled to mature as follows: \$1.7 in 2022, \$2.5 in 2024, \$3.0 in 2025, and the remaining \$17.2 in 2026 and beyond. We do not have any municipal obligations scheduled to mature in 2023. For additional information, see Marketable Securities and Other Investments in Note 1: Accounting Policies.

(B) Level 1 commodity and foreign currency exchange derivatives are valued using quoted market prices for identical instruments in active markets. Level 2 commodity and foreign currency exchange derivatives are valued using quoted prices for similar assets or liabilities in active markets. For additional information, see Note 10: Derivative Financial Instruments.

(C) Long-term debt is composed of public Senior Notes, which are classified as Level 1, and the Term Loan, which was classified as Level 2 prior to the prepayment of the remaining balance during the third quarter of 2021. The public Senior Notes are traded in an active secondary market and valued using quoted prices. The fair value of the Term Loan was based on the net present value of each interest and principal payment calculated utilizing an interest rate derived from an estimated yield curve obtained from independent pricing sources for similar types of term loan borrowing arrangements. For additional information, see Note 8: Debt and Financing Arrangements.

We recognized impairment charges of \$3.8 during 2021 related to an immaterial trademark within the U.S. Retail Consumer Foods segment. During 2020, we recognized impairment charges of \$52.4 related to the recently divested *Natural Balance* brand within the U.S. Retail Pet Foods segment. These charges were included as noncash charges in our Statements of

Consolidated Income. We utilized Level 3 inputs based on management's best estimates and assumptions to estimate the fair value of the indefinite-lived trademarks. For additional information, see Goodwill and Other Intangible Assets in Note 1: Accounting Policies and Note 7: Goodwill and Other Intangible Assets.

Note 12: Leases

We lease certain warehouses, manufacturing facilities, office space, equipment, and vehicles, primarily through operating lease agreements. We have elected to not recognize leases with a term of 12 months or less on the balance sheet. Instead, we recognize the related lease expense on a straight-line basis over the lease term.

Although the majority of our right-of-use asset and lease liability balances consist of leases with renewal options, these optional periods do not typically impact the lease term as we are not reasonably certain to exercise them. Certain leases also include termination provisions or options to purchase the leased property. Since we are not reasonably certain to exercise these types of options, minimum lease payments do not include any amounts related to these termination or purchase options. Our lease agreements generally do not contain residual value guarantees or restrictive covenants that are material.

We determine if an agreement is or contains a lease at inception by evaluating whether an identified asset exists that we control over the term of the arrangement. A lease commences when the lessor makes the identified asset available for our use. We generally account for lease and non-lease components as a single lease component. Minimum lease payments do not include variable lease payments other than those that depend on an index or rate.

For the majority of our leases, the interest rate implicit in the lease cannot be readily determined, so we utilize our incremental borrowing rate to present value lease payments using information available at the lease commencement date. We consider our credit rating and the current economic environment in determining this collateralized rate. As of April 30, 2021, we have entered into a lease commitment related to one distribution center which will begin during the first quarter of 2022. Upon commencement of this lease, we expect to recognize a right-of-use asset and lease liability of approximately \$1.9 in the Condensed Consolidated Balance Sheet.

The following table sets forth the right-of-use assets and lease liabilities recognized in the Consolidated Balance Sheets.

	Year Ended April 30,	
	2021	2020
Operating lease right-of-use assets	\$ 142.0	\$ 148.4
Operating lease liabilities:		
Current operating lease liabilities	\$ 41.1	\$ 36.5
Noncurrent operating lease liabilities	112.8	120.0
Total operating lease liabilities	<u>\$ 153.9</u>	<u>\$ 156.5</u>
Finance lease right-of-use assets:		
Machinery and equipment	\$ 9.8	\$ 11.6
Accumulated depreciation	(5.5)	(5.9)
Total property, plant, and equipment	<u>\$ 4.3</u>	<u>\$ 5.7</u>
Finance lease liabilities:		
Other current liabilities	\$ 1.8	\$ 2.2
Other noncurrent liabilities	2.5	3.5
Total finance lease liabilities	<u>\$ 4.3</u>	<u>\$ 5.7</u>

The following table summarizes the components of lease expense.

	Year Ended April 30,	
	2021	2020
Operating lease cost	\$ 45.4	\$ 51.7
Finance lease cost:		
Amortization of right-of-use assets	2.4	2.8
Interest on lease liabilities	0.1	0.2
Variable lease cost	23.2	22.9
Short-term lease cost	37.6	35.2
Sublease income	(3.7)	(4.3)
Net lease cost	<u>\$ 105.0</u>	<u>\$ 108.5</u>

The following table sets forth cash flow and noncash information related to leases.

	Year Ended April 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 45.7	\$ 50.8
Operating cash flows from finance leases	0.2	0.2
Financing cash flows from finance leases	2.6	2.8
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	34.8	57.0
Finance leases	1.1	2.6

The following table summarizes the maturity of our lease liabilities by fiscal year.

	April 30, 2021	
	Operating Leases	Finance Leases
2022	\$ 44.2	\$ 1.9
2023	40.9	1.2
2024	29.2	0.9
2025	21.3	0.4
2026	18.7	0.1
2027 and beyond	7.9	—
Total undiscounted minimum lease payments	\$ 162.2	\$ 4.5
Less: Imputed interest	8.3	0.2
Lease liabilities	<u>\$ 153.9</u>	<u>\$ 4.3</u>

The following table sets forth the weighted average remaining lease term and discount rate.

	Year Ended April 30,	
	2021	2020
Weighted average remaining lease term (in years):		
Operating leases	4.4	4.7
Finance leases	3.1	3.4
Weighted average discount rate:		
Operating leases	2.5 %	3.1 %
Finance leases	2.6 %	2.9 %

Note 13: Share-Based Payments

We provide for equity-based incentives to be awarded to key employees and non-employee directors. Currently, these incentives consist of restricted shares, restricted stock units (which may also be referred to as deferred stock units), performance units, and stock options. During 2021, these awards were administered primarily through the 2010 Equity and Incentive Compensation Plan (the “2010 Plan”) and the 2020 Equity and Incentive Compensation Plan (the “2020 Plan”). The 2010 Plan was initially approved by our shareholders in August 2010 and re-approved in August 2015, and the 2020 Plan was approved by our shareholders in August 2020. The 2010 Plan expired and the 2020 Plan became effective in November 2020, at which time the common shares remaining available for issuance under the 2010 Plan were transferred to the 2020 Plan. Awards under these plans may be in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units, incentive awards, and other share-based awards. Awards under these plans may be granted to our non-employee directors, consultants, officers, and other employees. Deferred stock units granted to non-employee directors vest immediately and, along with dividends credited on those deferred stock units, are paid out in the form of common shares upon termination of service as a non-employee director. At April 30, 2021, there were 4,431,824 shares available for future issuance under the 2020 Plan.

Under the 2020 Plan, we have the option to settle share-based awards by issuing common shares from treasury, issuing new Company common shares, or issuing a combination of common shares from treasury and new Company common shares.

Stock Options: Under the 2010 Plan, we granted 296,619 options during 2021, 193,831 during 2020, and there were no stock options granted during 2019. Stock options granted in 2021 and 2020 vest ratably over a period of three years. The exercise price of all stock options granted was equal to the market value of the shares on the date of grant, and all stock options granted and outstanding have a contractual term of 10 years.

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for stock options granted:

	2021	2020
Expected volatility (%)	23.0 %	20.1 %
Dividend yield (%)	3.2 %	2.8 %
Risk-free interest rate (%)	0.4 %	1.9 %
Expected life of stock options (years)	6.0	6.0

Expected volatility was calculated in accordance with the provisions of FASB ASC 718, *Compensation – Stock Compensation*, based on consideration of both historical and implied volatilities. The expected life of a stock option represents the period from the grant date through the expected exercise date of the option. This was calculated using a simplified method whereby the midpoint between the vesting date and the end of the contractual term is utilized to compute the expected term.

The following table is a summary of our stock option activity.

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at May 1, 2020	489,055	\$ 116.25
Granted	296,619	108.90
Exercised	(39,000)	116.46
Cancelled	(26,591)	108.90
Outstanding at April 30, 2021	720,083	\$ 113.48
Exercisable at April 30, 2021	347,545	\$ 114.69

The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. The total intrinsic value for stock options outstanding and exercisable was \$12.6 and \$5.7 at

April 30, 2021, respectively, with an average remaining contractual term of 6.9 years and 4.8 years, respectively. The total intrinsic value of stock options exercised during 2021 and 2020 was \$0.6 and \$0.2, respectively, and there were no stock options exercised in 2019. The closing market price of our common stock on the last trading day of 2021 was \$130.99 per share. The stock options granted during 2021 have a weighted-average grant date fair value of \$14.46 per option.

Compensation cost related to stock options is recognized ratably over the service period from the grant date through the end of the requisite service period. During 2021 and 2020, we recognized compensation cost of \$2.3 and \$1.3, respectively, and during 2019, we did not recognize any compensation cost, as the requisite service period for the previous options granted ended on April 30, 2018. The tax benefit related to the stock option expense was \$0.5 and \$0.3 for 2021 and 2020, respectively. As of April 30, 2021, we had unrecognized compensation cost of \$3.4 related to the stock options that were granted in 2021 and 2020.

Cash received from stock option exercises was \$4.5 and \$7.1 for the years ended April 30, 2021 and 2020, respectively. There were no stock options exercised in 2019.

Other Equity Awards: The following table is a summary of our restricted shares, deferred stock units, and performance units.

	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value Per Share	Performance Units	Weighted- Average Grant Date Fair Value Per Share
Outstanding at May 1, 2020	736,684	\$ 119.93	153,217	\$ 123.68
Granted	83,188	110.66	194,786	113.70
Vested	(180,954)	127.83	(10)	123.68
Forfeited	(40,180)	115.77	(22,540)	116.46
Outstanding at April 30, 2021	598,738	\$ 116.54	325,453	\$ 118.21

The weighted-average grant date fair value of equity awards other than stock options that vested in 2021, 2020, and 2019 was \$23.1, \$14.7, and \$17.0, respectively. The weighted-average grant date fair value of restricted shares, deferred stock units, and performance units is the average of the high and the low share price on the date of grant. The vesting date fair value of equity awards other than stock options that vested in 2021, 2020, and 2019 was \$19.7, \$14.5, and \$17.0, respectively. The following table summarizes the weighted-average fair values of the equity awards granted.

Year Ended April 30,	Restricted Shares and Deferred Stock Units	Weighted- Average Grant Date Fair Value Per Share	Performance Units	Weighted- Average Grant Date Fair Value Per Share
2021	83,188	\$ 110.66	194,786	\$ 113.70
2020	245,945	121.19	168,212	123.68
2019	194,932	104.33	85,154	123.68

The restricted shares and deferred stock units granted in 2021 and 2020 under our new long-term incentive compensation program vest ratably over a three-year period from date of grant. The remaining restricted shares and deferred stock units generally vest over four years from the date of grant or upon the attainment of a defined age and years of service, subject to certain retention requirements. The performance units granted in 2021 and 2020 vest three years from the date of grant and are converted to common shares upon vest based on the performance achieved during the service period. During 2019, the performance units granted represented the number of restricted shares received by certain executive officers, subsequent to year-end, upon conversion of the performance units earned during the one year period.

Note 14: Income Taxes

Income before income taxes is as follows:

	Year Ended April 30,		
	2021	2020	2019
Domestic	\$ 1,176.6	\$ 986.7	\$ 659.2
Foreign	(4.7)	40.0	42.4
Income before income taxes	\$ 1,171.9	\$ 1,026.7	\$ 701.6

The components of the provision for income taxes are as follows:

	Year Ended April 30,		
	2021	2020	2019
Current:			
Federal	\$ 251.3	\$ 188.7	\$ 227.9
Foreign	11.7	8.5	16.0
State and local	46.7	42.4	36.8
Deferred:			
Federal	(3.3)	7.1	(73.6)
Foreign	(7.9)	0.6	(0.1)
State and local	(2.9)	(0.1)	(19.8)
Total income tax expense (benefit)	<u>\$ 295.6</u>	<u>\$ 247.2</u>	<u>\$ 187.2</u>

A reconciliation of the statutory federal income tax rate and the effective income tax rate is as follows:

(Percent of Pre-tax Income)	Year Ended April 30,		
	2021	2020	2019
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Tax reform – transition tax	—	—	(0.5)
Goodwill impairment charge	—	—	2.9
Sale of the U.S. baking business	—	—	2.4
Sale of the <i>Crisco</i> business	4.5	—	—
Sale of the <i>Natural Balance</i> business	(3.0)	—	—
State and local income taxes	2.9	3.3	2.7
Deferred tax benefit from the Ainsworth integration	—	—	(2.4)
Other items – net	(0.2)	(0.2)	0.6
Effective income tax rate	<u>25.2 %</u>	<u>24.1 %</u>	<u>26.7 %</u>
Income taxes paid	<u>\$ 333.2</u>	<u>\$ 227.1</u>	<u>\$ 250.9</u>

The income tax expense of \$295.6 for 2021 includes the permanent tax impacts associated with the sale of the *Crisco* and *Natural Balance* businesses.

The income tax expense of \$187.2 for 2019 included the permanent tax impacts associated with the sale of the U.S. baking business and a goodwill impairment charge, partially offset by a noncash deferred tax benefit related to the integration of Ainsworth into the Company.

U.S. Tax Reform: On December 22, 2017, the U.S. government enacted the U.S. Tax Cuts and Jobs Act (the “Tax Act”), legislating comprehensive tax reform that reduced the U.S. federal statutory corporate tax rate from 35.0 percent to 21.0 percent effective January 1, 2018, broadened the U.S. federal income tax base, required companies to pay a one-time transition tax, and created new taxes on certain foreign-sourced earnings as part of a new territorial tax regime.

During 2019, we finalized our accounting for the income tax effects of enactment of the Tax Act, as required by ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which resulted in an immaterial adjustment to the net provisional benefit of \$765.8 that was previously recorded during 2018. The net benefit included the revaluation of net deferred tax liabilities at the reduced federal income tax rate, partially offset by the estimated impact of the one-time transition tax.

During calendar 2020, the *Coronavirus Aid, Relief, and Economic Security Act* and *Consolidated Appropriations Act of 2021* were enacted in response to the COVID-19 pandemic and economic downturn. These statutes included rollbacks of certain provisions of the Tax Act, tax extenders for expiring tax breaks, and other tax provisions. While these specific rollbacks and tax provisions had minimal impact to us, any future legislative actions in response to COVID-19 or other policy initiatives could further modify provisions of the Tax Act and/or introduce new legislative provisions, and such changes will need to be analyzed for their respective impacts on our income taxes at that time.

We are a voluntary participant in the Compliance Assurance Process (“CAP”) program offered by the IRS and are currently under a CAP examination for the tax years ended April 30, 2021, 2020, and 2019. Through the contemporaneous exchange of information with the IRS, this program is designed to identify and resolve tax positions with the IRS prior to the filing of a tax return, which allows us to remain current with our IRS examinations. The IRS has completed the CAP examination for the tax year ended April 30, 2018. The tax years prior to 2018 are no longer subject to U.S. federal tax examination. With limited exceptions, we are no longer subject to examination for state and local jurisdictions for the tax years prior to 2016 and for the tax years prior to 2013 for foreign jurisdictions.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of our deferred tax assets and liabilities are as follows:

	April 30,	
	2021	2020
Deferred tax liabilities:		
Intangible assets	\$ 1,347.4	\$ 1,399.7
Property, plant, and equipment	187.9	151.3
Leases	27.4	30.3
Other	16.2	15.1
Total deferred tax liabilities	\$ 1,578.9	\$ 1,596.4
Deferred tax assets:		
Post-employment and other employee benefits	\$ 103.6	\$ 100.3
Tax credit and loss carryforwards	28.3	28.1
Intangible assets	17.1	16.9
Hedging transactions	43.4	59.5
Leases	29.4	31.9
Other	38.5	37.8
Total deferred tax assets	\$ 260.3	\$ 274.5
Valuation allowance	(30.7)	(29.7)
Total deferred tax assets, less allowance	\$ 229.6	\$ 244.8
Net deferred tax liability	\$ 1,349.3	\$ 1,351.6

We evaluate the realizability of deferred tax assets for each of the jurisdictions in which we operate. The total valuation allowance increased by an immaterial amount during the year.

During 2021, we returned \$100.0 of foreign cash to the U.S. from Canada. The repatriation was subject to \$5.0 of foreign withholding taxes, while U.S. federal and state income taxes were not significant. As of April 30, 2021, we have re-evaluated our global cash needs and determined that a portion of our undistributed earnings, primarily in Canada, are no longer permanently reinvested, resulting in the recognition of an immaterial deferred tax liability. Deferred income taxes have not been provided on approximately \$23.9 of the remaining temporary differences related to our investments in our other foreign subsidiaries since these amounts remain permanently reinvested, with immaterial tax effects.

Our unrecognized tax benefits were \$10.2, \$13.1, and \$15.0, of which \$8.1, \$10.5, and \$12.0 would affect the effective tax rate, if recognized, as of April 30, 2021, 2020, and 2019, respectively. Our accrual for tax-related net interest and penalties totaled \$1.7, \$1.9, and \$3.3 as of April 30, 2021, 2020, and 2019, respectively. The amount of tax related to net interest and penalties credited to earnings totaled \$0.2, \$0.1, and \$0.8 for 2021, 2020, and 2019, respectively.

Within the next 12 months, it is reasonably possible that we could decrease our unrecognized tax benefits by an estimated \$3.3, primarily as a result of the expiration of statute of limitation periods.

A reconciliation of our unrecognized tax benefits is as follows:

	2021	2020	2019
Balance at May 1,	\$ 13.1	\$ 15.0	\$ 32.3
Increases:			
Current year tax positions	0.7	1.4	0.9
Prior year tax positions	—	0.2	0.3
Decreases:			
Settlement with tax authorities	—	—	9.0
Expiration of statute of limitations periods	2.6	3.5	9.5
Prior year tax positions	1.0	—	—
Balance at April 30,	\$ 10.2	\$ 13.1	\$ 15.0

Note 15: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), including the reclassification adjustments for items that are reclassified from accumulated other comprehensive income (loss) to net income, are shown below.

	Foreign Currency Translation Adjustment	Net Gains (Losses) on Cash Flow Hedging Derivatives ^(A)	Pension and Other Postretirement Liabilities ^(B)	Unrealized Gain (Loss) on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss)
Balance at May 1, 2018	\$ (16.4)	\$ (2.9)	\$ (101.0)	\$ 3.6	\$ (116.7)
Reclassification adjustments	—	0.4	7.3	—	7.7
Current period credit (charge)	(19.1)	(49.1)	(19.1)	0.7	(86.6)
Income tax benefit (expense)	—	11.2	2.8	(0.2)	13.8
Balance at April 30, 2019	\$ (35.5)	\$ (40.4)	\$ (110.0)	\$ 4.1	\$ (181.8)
Reclassification adjustments	—	2.1	7.4	—	9.5
Current period credit (charge)	(15.0)	(190.7)	(54.8)	(0.4)	(260.9)
Income tax benefit (expense)	—	43.4	10.7	0.1	54.2
Balance at April 30, 2020	\$ (50.5)	\$ (185.6)	\$ (146.7)	\$ 3.8	\$ (379.0)
Reclassification adjustments	—	13.8	46.3	—	60.1
Current period credit (charge)	41.5	—	18.9	(0.1)	60.3
Income tax benefit (expense)	—	(3.0)	(15.8)	—	(18.8)
Balance at April 30, 2021	\$ (9.0)	\$ (174.8)	\$ (97.3)	\$ 3.7	\$ (277.4)

(A) The reclassification from accumulated other comprehensive income (loss) to interest expense was related to terminated interest rate contracts. The current period charge in 2020 and 2019 relates to losses on the interest rate contracts entered into in November 2018 and June 2018 that were terminated in 2020. For additional information, see Note 10: Derivative Financial Instruments.

(B) The reclassification from accumulated other comprehensive income (loss) to other income (expense) – net is composed of settlement charges and amortization of net losses and prior service costs. The reclassification adjustments in 2021 primarily include the impact of the nonrecurring settlement charges related to the purchase of a group annuity contract to transfer our Canadian defined benefit pension plan obligations to an insurance company. For additional information, see Note 9: Pensions and Other Postretirement Benefits.

Note 16: Contingencies

We, like other food manufacturers, are from time to time subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. We are currently a defendant in a variety of such legal proceedings, including certain lawsuits related to the alleged price-fixing of shelf stable tuna products prior to 2011 by a business previously owned by, but divested prior to our acquisition of, Big Heart, the significant majority of which were settled and paid during 2019 and 2020. While we cannot predict with certainty the ultimate results of the remaining proceedings or potential settlements associated with these or other matters, we have accrued losses for certain contingent liabilities that we have determined are probable and reasonably estimable at April 30, 2021. Based on the information known to date, with the exception of the matters discussed below, we do not believe the final outcome of these proceedings would have a material adverse effect on our financial position, results of operations, or cash flows.

In addition to the legal proceedings discussed above, we are currently a defendant in CERT v. Brad Barry LLC, et al., which alleges that we, in addition to the Defendants who manufacture, package, distribute, or sell packaged coffee, failed to provide warnings for our coffee products of exposure to the chemical acrylamide as required under Proposition 65. CERT sought equitable relief, including warnings to consumers, as well as civil penalties in the amount of the statutory maximum of \$2,500 per day per violation of Proposition 65. In addition, CERT asserted that every consumed cup of coffee, absent a compliant warning, was equivalent to a violation under Proposition 65. In June 2019, the state agency responsible for administering the Proposition 65 program, OEHHA, approved a regulation clarifying that cancer warnings are not required for coffee under Proposition 65, and in August 2020, the trial court granted the Defendants' motion for summary judgment based on the regulation. CERT appealed the ruling in November 2020 to the California Court of Appeals for the Second Appellate District, which is currently pending.

We are also defendants in nine pending putative class action lawsuits filed in federal courts in California, Florida, Illinois, Missouri, Texas, Washington, and Washington D.C. The plaintiffs in those actions assert claims arising under various state laws for false advertising, consumer protection, deceptive and unfair trade practices, and similar statutes. Their claims are premised on allegations that we have misrepresented the number of servings that can be made from various canisters of *Folgers* coffee on the packaging for those products. Five of the lawsuits have been transferred to the United States District Court for the Western District of Missouri for coordinated pre-trial proceedings. Similar claims have been asserted against certain retailers of our *Folgers* coffee products, and indemnity claims have been asserted by such retailers against us. Various other potential plaintiffs have threatened to assert similar claims against us.

The outcome and the financial impact of these cases, if any, cannot be predicted at this time. Accordingly, no loss contingency has been recorded for these matters as of April 30, 2021, and the likelihood of loss is not considered probable or estimable. However, if we are required to pay significant damages, our business and financial results could be adversely impacted, and sales of those products could suffer not only in these locations but elsewhere.

Note 17: Common Shares

Voting: The Amended Articles of Incorporation ("Articles") provide that each holder of a common share outstanding is entitled to one vote on each matter submitted to a vote of the shareholders, except for the following specific matters:

- any matter that relates to or would result in the dissolution or liquidation of the Company;
- the adoption of any amendment to the Articles or Amended Regulations, or the adoption of amended Articles, other than the adoption of any amendment or amended Articles that increases the number of votes to which holders of our common shares are entitled or expands the matters to which time-phased voting applies;
- any proposal or other action to be taken by our shareholders relating to any successor plan to the Rights Agreement, dated as of May 20, 2009, between the Company and Computershare Trust Company, N.A., which expired on June 25, 2018;
- any matter relating to any stock option plan, stock purchase plan, executive compensation plan, executive benefit plan, or other similar plan, arrangement, or agreement;
- the adoption of any agreement or plan of or for the merger, consolidation, or majority share acquisition of us or any of our subsidiaries with or into any other person, whether domestic or foreign, corporate or noncorporate, or the authorization of the lease, sale, exchange, transfer, or other disposition of all, or substantially all, of our assets;
- any matter submitted to our shareholders pursuant to Article Fifth (which relates to procedures applicable to certain business combinations) or Article Seventh (which relates to procedures applicable to certain proposed acquisitions of specified percentages of our outstanding common shares) of the Articles, as they may be further amended, or any issuance of our common shares for which shareholder approval is required by applicable stock exchange rules; and
- any matter relating to the issuance of our common shares or the repurchase of our common shares that the Board determines is required or appropriate to be submitted to our shareholders under the Ohio Revised Code or applicable stock exchange rules.

On the matters listed above, common shares are entitled to 10 votes per share if they meet the requirements set forth in the Articles. Common shares which would be entitled to 10 votes per share must meet one of the following criteria:

- common shares for which there has not been a change in beneficial ownership in the past four years; or
- common shares received through our various equity plans that have not been sold or otherwise transferred.

In the event of a change in beneficial ownership, the new owner of that common share will be entitled to only one vote with respect to that share on all matters until four years pass without a further change in beneficial ownership of the share.

Repurchase Programs: On October 22, 2020, the Board authorized the repurchase of up to 5.0 million common shares, in addition to the 3.6 million common shares that remained available for repurchase pursuant to prior authorizations of the Board, for a total of 8.6 million common shares available for repurchase. Under the repurchase program, a total of 5.8 million common shares were repurchased for \$671.9 during 2021. Included in the total repurchases during the third quarter of 2021 were 2.0 million common shares repurchased under a 10b5-1 plan entered into on December 30, 2020. At April 30, 2021, approximately 2.8 million common shares remain available for repurchase pursuant to the Board's authorizations. We did not repurchase any common shares under a repurchase plan authorized by the Board during 2020.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures: Management, including the principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act), as of April 30, 2021 (the "Evaluation Date"). Based on that evaluation, the principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls: There were no changes in internal control over financial reporting that occurred during the fourth quarter ended April 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.