James McNaughton Paper Group Limited Pension and Assurance Scheme

Scheme Registration Number: 10013784

Trustee’s Annual Report and Financial Statements
Year ended 30 June 2023

Contents

Trustees, Principal Employer and Advisers

Principal Employer:	Antalis Limited
Trustee:	The Law Debenture Pension Trust Corporation plc, independent Trustee, represented by Peter White and Natalie Winterfrost 8th Floor 100 Bishopsgate London EC2N 4AG
Trustee secretary	Pegasus Pensions PLC 8th Floor, 100 Bishopsgate London EC2N 4AG
Scheme Administrator:	Capita Pension Solutions Limited (until 31 January 2024) PO Box 555 Stead House Darlington DL1 9YT Isio (from 1 February 2024) PO Box 108 Blyth NE24 9DY
Investment Consultants:	Cartwright Group Limited Mill Pool House Mill Lane Godalming Surrey GU7 1EY
Investment Managers:	Legal & General Investment Management Ltd One Coleman Street London EC2R 5AA BNY Mellon Fund Managers Ltd Client Service Centre PO Box 12041 Brentwood CM14 9LS Columbia Threadneedle Investments Exchange House Primrose Street London EC2A 2NY

Trustees, Principal Employer and Advisers

Annuity Provider:	Scottish Widows Ltd 25 Gresham Street London EC2V 7HN
AVC Providers:	AEGON Edinburgh Park Edinburgh, EH12 9SE
Scheme Actuary:	J McCoy FIA Capita Pension Solutions Limited
Independent Auditor:	Burgess Hodgson LLP Camburgh House 27 New Dover Road Canterbury Kent CT1 3DN
Legal Advisers:	Sacker & Partners LLP 20 Gresham Street London EC2V 7JE
Bankers:	Lloyds Bank plc (until January 2024) HSBC (from February 2024)

Trustee's Report

The Trustee has pleasure in submitting their annual report on the James McNaughton Paper Group Limited Pension and Assurance Scheme (the Scheme), together with the financial statements for the year ended 30 June 2023.

Scheme Management

Constitution of the Scheme

The Scheme was established as a Defined Benefit (DB) scheme by an Interim Deed dated 1 October 1974 and is now governed by a Definitive Trust Deed and Rules dated 18 December 1995. With effect from 5 April 2004 the Employer introduced a Defined Contribution (DC) section for all new employees. An outline of the Scheme's benefits is provided by the explanatory booklets and guides issued to members.

The Scheme ceased to comprise separate DB and DC Sections with effect from 12 November 2019 when the residual DC Section assets were wholly transferred to the DB Section, following a transfer of the DC membership to a master trust arrangement. As a result, the Scheme is solely a defined benefit scheme.

From 6 April 2006 the Scheme became a "registered pension scheme" for tax purposes.

The future accrual of pensionable service in the former DB section ceased with effect from 31 May 2007 and the Scheme ceased to contract out from 31 March 2007.

Benefits of members active at the point of closure, however, retained their link to final pensionable salary providing they joined (and contributed to) the former DC section of the Scheme.

The Employer reviewed the way it provided benefits and from 1 October 2013 decided to offer all remaining employees in the Scheme membership of the Antalis GPP. All contributions of the former DC section therefore ceased with effect from that date.

Management of the Scheme

The Scheme is governed by the Trustee which is required to act in accordance with the Trust Deed and Rules, and within the framework of pension and trust law. With the help of professional advisers, the Trustee manages the assets of the Scheme and looks after the interests of members and pensioners.

The power to appoint and remove the Trustee is vested in the Principal Employer.

The Trustee of the Scheme is The Law Debenture Pension Trust Corporation plc represented by N Winterfrost and P White, Directors of The Law Debenture Pension Trust Corporation plc.

Administration of the Scheme is undertaken by Capita and Pegasus Pensions plc acts as Secretary to the Trustee.

Appointment of Trustee Directors

The Principal Employer is Antalis Limited (the Company), registered address Antalis Limited, Gateway House, Interlink Way West, Coalville, Leicestershire, LE67 1LE (Registered Number 01088345) and has authority under the Scheme's Definitive Trust Deed, to appoint and remove trustees by execution of a deed.

On 24 April 2020 the Company appointed a sole corporate trustee, Antalis Pension Trustees Ltd (APTL registered number 06609581) to replace the previous individual trustees and on that date all of those previous individual Trustees became Directors of APTL. APTL was incorporated on 3 June 2008 as a private company, limited by shares. The appointment of APTL was effective from 24 April 2020.

On 19 July 2021, a deed of appointment and removal was signed which replaced the previous corporate Trustee, APTL, with The Law Debenture Pension Trust Corporation PLC, (Registered No.03267461).

Trustee’s Report

Scheme Governance

As a corporate sole Trustee there are no Trustee meetings. Decisions are made by written resolution of two Directors of The Law Debenture Pension Trust Corporation PLC.

Changes to Scheme Rules

During the year ended 30 June 2023, there were no to changes to the Scheme’s rules.

Changes to Scheme Advisers

The Trustee must appoint suitable professional advisers and give full consideration, to the advice they receive. The Trustee’s appointed advisers are listed on pages 2 and 3.

The Trustee continually monitors the performance of their advisers and undertakes formal reviews when deemed necessary.

Change of scheme administrators

During the latter part of 2022, the Trustee and Sponsoring Employer ran a selection project for a new administration provider for the Scheme,

After a competitive tender process, the new administrators, Isio have been appointed and will commence work on the Scheme as of 1 February 2024.

Financial Statements and Developments

The financial statements on pages 20 to 33 have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

During the year ended 30 June 2023, the net assets of the Scheme decreased by £24,042,586 (year ended 30 June 2022: decrease £30,824,853) to £82,008,281 as at 30 June 2023, from £106,050,867 as at 30 June 2022.

Audit

The report on the financial statements of the Scheme’s auditor, Burgess Hodgson LLP, and their statement about contributions are included on pages 16 and 19 respectively.

Recent Events

Single Code of Practice

The Pensions Regulator (tPR) released a consultation document on 17 March 2021 on the new Single Code of Practice (including a full draft of the Code). The new Code aims to bring together 10 of the 15 existing Codes of Practice, plus various pieces of existing guidance and new material required as a result of the 2018 Occupational Pension Schemes (Governance) regulations. The consultation closed in May 2021 and tPR have carried out a full review of the responses.

TPR has revealed that the consolidated single code of practice will be called the General Code and whilst they do not have a firm final publication date for the new code it is not expected to be published until autumn 2023 at the earliest.

The Trustee has started a review of the draft Code and will assess whether current governance practices meet tPR’s new expectations once the new code becomes effective.

Trustee's Report

GMP Equalisation

In October 2018, the High Court ruled that pension schemes are required to equalise benefits between men and women for the effect of Guaranteed Minimum Pensions (GMP) which were accrued on or after 17 May 1990.

The High Court on 20 November 2020 determined that Trustees owed a duty to a transferring member to make a transfer payment which reflected the member's right to equalised benefits. Where the initial transfer payment was inadequate on this basis the Trustees are under an obligation to make a top-up payment to the receiving scheme on behalf of the transferred member.

The Trustee is reviewing, with their advisers, the implication of these rulings in the context of the Scheme rules and the value of any liability. On completion of the review the Trustee will put together a plan for correcting past benefits as well as inequalities in benefits coming into payment.

Capita Cyber Incident

Capita Pensions Solutions Limited (Capita) is the administrator of the James McNaughton Paper Group Limited Pension and Assurance Scheme. The Trustee has been told by Capita that Capita experienced a cyber incident following an unauthorised access to Capita's systems on or around 22 March 2023, before being interrupted by Capita on 31 March 2023.

The Trustee was notified by Capita on 23 May 2023 that personal data which Capita processes on behalf of the Trustee has been part of the data exfiltrated as a result of the cyber incident. The Trustee has taken action to comply with its regulatory obligations, including informing relevant regulators and communicating with affected members.

Summary of Contributions

This Summary of Contributions, which has been prepared by and is the responsibility of the Trustee, sets out the contributions payable to the Scheme by the Employer under the Schedule of Contributions applicable for the year ended 30 June 2023.

	£
Employer	
Employer deficit contributions	-
Contributions payable under the schedule of contributions and as Reported in note 4 of the financial statements	-

Trustee’s Report

Membership and Benefits

	Total 30 June 2023	Total 30 June 2022
Deferred members with salary link		
Members at year start	**49**	54
Prior year adjustment [1]	-	(4)
Retirements	(3)	(1)
Deaths	(2)	-
Members at year end	**44**	49
Deferred members		
Members at year start	**318**	326
Prior year adjustment [1]	(3)	4
Transfers out	(1)	(1)
Retirements	(17)	(11)
Deaths	-	-
Members at year end	**297**	318
Pensions in payment		
Members at year start	**285**	275
Prior year adjustment [1]	1	-
Retirements	20	12
New dependants	6	6
Deaths	(8)	(8)
Members at year end	**304**	285

[1] Adjustments for late notifications, including those wholly Defined Contribution (DC) members whose contributions ceased following the closure of the DC section.

Pension Benefits

Pensions have increased during the year in accordance with the Rules. Pensions accruing under the Defined Benefit section from 6 April 1997 are increased in payment in January in line with the Consumer Prices Index (CPI) subject to a maximum of 5%. For 2023 the increase applied was 5%.

Deferred pensions have been adjusted in accordance with statutory requirements. No discretionary increases were made to pensions or deferred pensions by the Trustee or the Employer.

Trustee’s Report

Investment Matters

Overview

The Trustee, with the assistance of their appointed investment adviser, determines the overall investment strategy for the Scheme and set out the broad policy to be adopted by the appointed fund managers.

Investment managers

The names of those who have managed the Scheme’s investments during the year ended 30 June 2023 are listed on pages 2 and 3. The Trustee has delegated the day-to-day management of investment to their appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers’ duties include the consideration of social, environmental, and ethical issues in the selection, retention, and realisation of investments as well as voting and corporate governance in relation to the Scheme’s assets. The Trustee has reviewed the investment managers’ policy on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (“SIP”) which includes the Trustee’s policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. This Statement may change from time to time according to advice received from the investment managers or consultants.

The Implementation Statement set out on pages 34 to 39 forms part of the Trustee’s report.

Departures from investment principles

To the best of their knowledge, the Trustee can report that there has been no departure from the SIP by the Scheme’s investment managers during the year ended 30 June 2023.

Custodial arrangements

The safe custody of the Scheme’s assets is delegated to professional custodians via the use of pooled vehicles.

Employer-related investments

There were no employer-related investments held during the year, or as at the year-end 30 June 2023.

Investment risk disclosure

The Scheme’s investment risk disclosures are outlined on pages 27 to 32.

Trustee’s Report

Investment allocation

The Scheme's assets were invested at 30 June 2023 as follows:

Fund	Asset Allocation %	Benchmark Allocation %
BNYM Real Return	2.8%	2.5%
LGIM Diversified	14.3%	12.5%
Total Return Seeking Assets	**17.1%**	**15.0%**
CT Unleveraged Nominal Gilt	26.2%	85.0%
CT Unleveraged Real Gilt	35.4%	
CT Nominal Dynamic LDI	4.2%	
CT Real Dynamic LDI	12.5%	
CT Sterling Liquidity	4.6%	
Total Matching Assets	**82.9%**	**85.0%**

Investment performance

Performance of the Scheme’s assets against the objectives is shown below:

Fund	1-year			3-year (p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmarkk	Relative
BNYM Real Return	-3.6%	6.3%	-10.0%	1.7%	4.5%	-2.8%
LGIM Diversified	1.3%	15.5%	-14.2%	2.9%	11.9%	-9.0%
CT Unleveraged Nominal Gilt	-21.5%	-21.6%	0.1%	-17.3%	-17.3%	0.0%
CT Unleveraged Real Gilt	-18.9%	-19.1%	0.1%	-13.9%	-13.9%	-0.1%
CT Nominal Dynamic LDI	-85.8%	-86.0%	0.2%	-65.8%	-66.2%	0.3%
CT Real Dynamic LDI	-83.0%	-89.3%	6.2%	-57.5%	-63.5%	6.0%
CT Sterling Liquidity	3.1%	3.1%	0.0%	1.1%	1.1%	0.0%

Performance shown net of fees excluding the investment platform fee.

Trustee's Report

Compliance Matters

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with Schedule 3 of The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 or voluntarily by the Trustee. The information deals with matters of administrative routine.

Transfer Values

Transfer values quoted during the year were calculated in accordance with the Statement of Cash Equivalent Transfer Value Principles adopted by the Trustee. There were no discretionary benefits included in the calculation of transfer values. A full review of the Scheme's transfer value basis was carried out in the prior year, and a new Statement of Cash Equivalent Transfer Principles was implemented as a result.

Taxation

The Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004. The Trustee has no reason to believe that there have been any changes to the tax status of the Scheme during the year.

Related Party Transactions

The Principal Employer has paid the majority of the costs of administering the Scheme for the year, and has invoiced the Scheme during the year.

Further details of related party transactions are given in note 21 to the financial statements.

MoneyHelper

MoneyHelper (formerly The Money and Pensions Service (MaPs)) was created in 2019 as a single body providing information to the public on matters relating to workplace and personal pensions.

Telephone: 0800 011 3797

Website: https://www.moneyhelper.org.uk

Email: pensions.enquiries@moneyhelper.org.uk

Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at 1st Floor, 10 South Colonnade, Canary Wharf, London E14 4PU

Telephone:	0800 917 4487
Early resolution email:	helpline@pensions-ombudsman.org.uk
Email:	enquiries@pensions-ombudsman.org.uk

Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where the trustee, Employers or Professional Advisers have failed in their duties.

The Pensions Regulator may be contacted at Telecom House, 125-135 Preston Road, Brighton BN1 6AF.

Telephone:	0345 600 7060
Website address:	www.thepensionsregulator.gov.uk

Trustee's Report

Pension Tracing

A pension tracing service is carried out by the Department for Work and Pensions.

The Pension Tracing Service may be contacted at The Pension Service 9, Mail Handling Unit A, Wolverhampton, WV98 1LU.

Telephone: 0800 731 0193

Internal Disputes Resolution Procedure

Members who have a complaint with regard to any Scheme matter should contact the Scheme administrator, Capita Pension Solutions Limited, in the first instance, at the address given on page 14 of this report.

However, if the complaint is not resolved informally in this way, members may make a formal complaint under the Trustee's dispute resolution procedure.

Trustee's Report

Statement of Trustee's Responsibilities

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

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

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee is also responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

Trustee's Report

Report of Actuarial Liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2020. This showed that on that date:

The value of the Technical Provisions was:	£133.44 million
The value of the assets at that date was:	£144.84 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

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

Significant actuarial assumptions

Discount interest rate: set with reference to the Bank of England's nominal gilt yield curve plus an addition of 0.35% per annum.

Future Retail Price inflation: derived from the Bank of England's inflation yield curve.

Future Consumer Price inflation: derived from the assumption for future retail price inflation less an adjustment equal to 0.5% per annum.

Pension increases: derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Pay increases: general pay increases of 0.5% per annum above the assumed future consumer price inflation.

Mortality: standard S3PA base tables. Future improvements in mortality are reflected by using the latest CMI_2019 projections model with an allowance for a long-term improvement rate of 1.5% per annum and an initial addition to the mortality improvements of 0.5% per annum.

Actuarial Position

The Scheme is subject to a formal valuation every three years, with interim annual valuations.

The next valuation, which is currently in progress, will have an effective date of 30 June 2023.

Contributions

Following completion of the 2020 actuarial valuation a new Schedule of Contributions setting out the amounts and timing of contributions was produced by the Trustee and approved by the Principal Employer. The Actuarial Statement confirming the adequacy of the contributions set out in the schedule is included on page 15.

Trustee's Report

Contact for Further Information

Any enquiries about the Scheme, including requests from individuals for further information about their benefits, should be addressed to the Scheme's Administrators:

Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington
DL1 9YT

Email: jaymac@capita.co.uk

From 1 February 2024, the new Scheme Administrator and their contact details will be:

Isio
PO Box 108
Blyth
NE24 9DY

Email: jaymacpensions@isio.com

Approval of the Trustee's Report

The Trustee's Report was approved by the Trustee and signed on their behalf by:

Date:

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Director

For The Law Debenture Pension Trust Corporation p.l.c.
In its capacity as the trustee of
James McNaughton Paper Group Limited Pension
and Assurance Scheme

Actuary's Certification of the Schedule of Contributions

Capita

James McNaughton Paper Group Limited Pension and Assurance Scheme

Certification of the Schedule of Contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that –

   the Statutory Funding Objective can be expected to continue to be met for the period for which the Schedule is to be in force.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 1 December 2021.

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

Signature:	DocuSigned by: James McCoy
Name:	James McCoy
Date:	December 1, 2021 | 10:15 PM GMT
Name of employer:	Capita Pension Solutions Limited
Address:	65 Gresham Street London EC2V 7NQ
Qualification:	Fellow of the Institute and Faculty of Actuaries

Independent Auditors' Report

Opinion

We have audited the financial statements of James McNaughton Paper Group Limited Pension and Assurance Scheme for the year ended 30 June 2023 which comprise the fund account, the net assets statement, and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year:
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for Opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Independent Auditors' Report

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the trustees' responsibilities statement set out on page 12, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

Independent Auditors’ Report

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to review the financial statements for compliance with the relevant legislation.

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

Use of our report

This report is made solely to the Scheme Trustees, as a body, in accordance with the Pensions Act 1995 and regulations made thereunder. Our work on the Financial Statements has been undertaken so that we might state to the Scheme Trustees those matters we are required to state to them in such an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustees as a body, for our work on the financial statements, for this report, or for the opinions we have formed.

Burgess Hodgson LLP
Statutory Auditor

Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN

Date:

Independent Auditors’ Statement about Contributions

We have examined the summary of contributions to The James McNaughton Paper Group Limited Pension and Assurance Scheme in respect of the scheme year ended 30 June 2023 which is set out in the Trustees’ Report.

This report is made solely to the Trustees, as a body, in accordance with the Pensions Act 1995 and regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in such an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme’s Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of work on Statement about Contributions

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

Respective responsibilities of trustees and the auditor

As explained more fully in the Statement of Trustees’ Responsibilities, the Scheme’s trustees are responsible for ensuring that a schedule of contributions is prepared, maintained and from time to time revised showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Statement about Contributions payable under the Schedule of Contributions

In our opinion, contributions for the Scheme year ended 30 June 2023 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme Actuary dated 1 December 2021.

Burgess Hodgson LLP
Statutory Auditor

Camburgh House
27 New Dover Road
Canterbury
Kent
CT1 3DN

Date:

Fund Account

For the year ended 30 June 2023

	Note	**Year ended 30 June 2023 £**	Year ended 30 June 2022 £
Contributions and benefits			
Employer contributions		**-**	150,000
Total contributions	4	**-**	150,000
Benefits paid or payable	5	**(3,069,710)**	(2,365,393)
Payment to and on account of leavers	6	**(1,964,801)**	(1,046,770)
Administrative expenses	7	**(119)**	(48)
		(5,034,630)	(3,412,211)
Net withdrawals from dealings with Members		**(5,034,630)**	(3,262,211)
Returns on investments			
Investment income	8	**1,906,940**	1,880,389
Change in market value of investments	9	**(20,848,041)**	(29,372,162)
Investment management expenses	12	**(66,855)**	(70,869)
Net returns on investments		**(19,007,956)**	(27,562,642)
Net decrease in the fund during the year		**(24,042,586)**	(30,824,853)
Net assets of the Scheme at start of year		**106,050,867**	136,875,720
Net assets of the Scheme at end of year		**82,008,281**	106,050,867

The notes on pages 22 to 33 form an integral part of these financial statements.

Statement of Net Assets

Available for Benefits as at 30 June 2023

	Note	**2023**	2022
		£	£
Investment assets:			
Pooled investment vehicles	13	**50,720,855**	66,825,619
Annuity policy	14	**30,882,078**	38,446,868
AVC investments	15	**46,667**	46,667
Net investments	9	**81,649,600**	105,319,154
Current assets	19	**368,650**	745,313
Current liabilities	20	**(9,969)**	(13,600)
Net assets of the Scheme at end of year		**82,008,281**	106,050,867

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Scheme, is dealt with in the Report of Actuarial Liabilities on page 13 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 22 to 33 form an integral part of these financial statements.

These financial statements were approved by the Trustee and signed on their behalf by:

.... **Date:** ....

Director

For The Law Debenture Pension Trust Corporation p.l.c.
In its capacity as the trustee of:
James McNaughton Paper Group Limited Pension
and Assurance Scheme

Notes to the Financial Statements

1. Basis of preparation

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

The financial statements have been prepared on the going concern basis. Having considered operational matters and the position of the Principal Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The registered address of the Scheme is:

The Law Debenture Pension Trust Corporation PLC
8th Floor, 100 Bishopsgate
London EC2N 4AG

Notes to the Financial Statements

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

Payments to members

Benefits are accounted for on the later of the year in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, and the date of retiring or leaving. If there is no member choice, on the date of retiring, leaving or death.

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

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

Expenses

Expenses are accounted for on an accrual's basis, net of recoverable VAT.

Investment income

Income from pooled investment vehicles is rolled up into the market price of the investment.

Income from annuity policies and cash and short term deposits are accounted for on an accruals basis.

Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Unitised pooled investment vehicles, including AVCs, have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Annuity Policies are valued by the policy's actuary at the amount of the related obligation, determined using the most recent Scheme funding valuation assumptions updated for market conditions at the reporting date.

AVC investments are valued at the policy value as advised by the insurer, based on revisionary bonuses declared and the current terminal bonus.

Presentation currency

The Scheme functional and presentation currency is pounds sterling.

Notes to the Financial Statements

4. Contributions

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Employer contributions		
Deficit funding	**-**	150,000

No contributions were due to be paid for the year to 30 June 2023 in accordance with the Schedules of Contributions dated 1 December 2021.

Under the Schedule dated 1 December 2021 due to the funding position of the Scheme it was agreed that the July 2021 contribution was no longer required, and no contributions were payable from the Employer for the period 01 December 2021 to 30 November 2026.

5. Benefits paid or payable

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Pensions	**2,187,475**	2,075,235
Commutations of pensions and lump sum retirement benefits	**879,067**	222,695
Purchase of annuities	**-**	44,667
Lump sum death benefits	**3,168**	22,796
	3,069,710	2,365,393

Notes to the Financial Statements

6. Payments to and on account of leavers

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Individual transfers out to other schemes	**1,964,801**	1,046,770

7. Administrative expenses

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Other fees and expenses	**119**	48

All other costs of administration are borne by Antalis Limited.

8. Investment income

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Annuity income	**1,904,838**	**1,880,389**
Interest on cash deposits	**2,102**	**-**
	1,906,940	**1,880,389**

Annuity income was received during the year as a result of the purchase of bulk annuities in 2017 and 2018 held with Scottish Widows Insurance.

9. Reconciliation of investments

	Market Value at 1 July 2022 £	**Purchases at cost £**	**Sales proceeds £**	**Change in market value £**	**Market Value at 30 June 2023 £**
Pooled investment vehicles	66,825,619	**38,376,457**	**(41,197,970)**	**(13,283,251)**	**50,720,855**
Annuity policy	38,446,868	**-**	**-**	**(7,564,790)**	**30,882,078**
AVC investments	46,667	**-**	**-**	**-**	**46,667**
	105,319,154	**38,376,457**	**(41,197,970)**	**(20,848,041)**	**81,649,600**

Protected Rights (PRs) were abolished with effect from 6 April 2012. However, the accumulated PR funds at that date remain in the Scheme and continue to provide money purchase underpin (MPU) to some DB members' benefits.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the Financial Statements

10. Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. There were no direct transaction costs during the year ended 30 June 2023 (2022: £nil).

Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs are not separately provided to the Scheme.

11. Taxation

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

12. Investment Management Expenses

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Administration, management and custody	**66,855**	70,869

13. Pooled investment vehicles

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

	2023 £	2022 £
Bonds	**31,245,914**	34,462,454
LDI	**8,445,709**	11,637,849
Multi asset	**8,687,212**	11,234,320
Cash	**2,342,020**	9,490,996
	50,720,855	66,825,619

14. Annuity policies

	2023 £	2022 £
Scottish Widows	**30,882,078**	38,446,868

In December 2018, the Trustee purchased a second bulk annuity insurance policy with Scottish Widows, as part of the Trustee's strategy to de-risk the scheme.

15. AVC investments

The aggregate amounts of AVC investments at the current and prior year ends were as follows:

	2023 £	2022 £
Aegon – Scottish Equitable (Accumulation)	**46,667**	46,667

Members participating in those arrangements each receive an annual statement made up to the year end, confirming the amounts held in their account and the movements during the year.

Notes to the Financial Statements

16. Fair Value of investments

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

As at 30 June 2023	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Pooled investment vehicles	**-**	**50,720,855**	**-**	**50,720,855**
Annuity policies	**-**	**-**	**30,882,078**	**30,882,078**
AVC investments	**-**	**-**	**46,667**	**46,667**
	-	**50,720,855**	**30,928,745**	**81,649,600**

As at 30 June 2022	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Pooled investment vehicles	-	66,825,619	-	66,825,619
Annuity policies	-	-	38,446,868	38,446,868
AVC investments	-	-	46,667	46,667
	-	66,825,619	38,493,535	105,319,154

17. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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

Market risk: this comprises currency risk, interest rate risk and other price risk.

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

Notes to the Financial Statements

17. Investment risk disclosures (continued)

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Credit Risk		Market risk*			2023	2022
Pooled investments:	**Direct**	**Indirect**	**Currency**	**Interest rate**	**Other price**		
- CT Real Dynamic LDI	Y	Y	N	Y	Y	**6,324,279**	7,988,130
- CT Nominal Dynamic LDI	Y	Y	N	Y	Y	**2,121,429**	3,649,719
- Newton Real Return Fund	Y	Y	Y	Y	Y	**1,403,778**	3,177,198
- LGIM Diversified Fund	Y	Y	Y	Y	Y	**7,283,434**	8,057,123
- CT Regular Profile Unleveraged Real Gilt Fund	Y	Y	N	Y	Y	**17,960,797**	24,830,786
- CT Regular Profile Unleveraged Nominal Gilt Fund	Y	Y	N	Y	Y	**13,285,118**	9,631,667
- CT Sterling Liquidity Fund	Y	Y	N	Y	N	**2,342,020**	9,490,996
Total investments**						**50,720,855**	66,825,619

In the above table, the risks noted applied in 2023 and 2022.

* There is no direct market risk arising from the holdings in the pooled investment vehicles. Indirect market risks and indirect credit risks arise through the underlying investments within the pooled funds. Only a portion of the funds involved may be exposed to the risk in questions.

** Includes only pooled investment vehicles held by the Scheme and excludes the bulk annuity policy, cash held in the Trustee's bank account, insurance policies and AVC investments.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include AVC investments as these are not considered material in relation to the overall investments of the Scheme.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Investment Objectives

The Trustee is required to invest the Scheme's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is sufficient (in conjunction with the Scheme's existing assets and contributions paid) to pay all members' benefits in full;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustee understands, following discussions with the Employer, that it is willing to accept a degree of volatility in the contribution requirements in order to reduce the long-term cost of the Scheme's benefits.

The Scheme has exposure to the risks described above because of the investments it makes in following the investment strategy set out below. The Trustee considers investment risks, including credit risk and market risk, when they select the Scheme's investment funds, taking into account the Scheme's strategic investment objectives.

The documents governing the fund managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The Trustee monitors the investment portfolio on a regular basis.

Investment Strategy

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

Given their investment objectives the Trustee has agreed to the strategic asset allocation (excluding the bulk annuity policy) detailed in the table below:

Asset Class	Strategic Asset Allocation (%)
Diversified Growth Funds	15%
Return Seeking Assets:	**15%**
Real Liability Driven Investment (LDI)	85%
Nominal Liability Driven Investment (LDI)	
Cash Fund	
Unleveraged Real Gilt Fund	
Unleveraged Nominal Gilt Fund	
Matching Assets:	**85%**
Total:	**100%**

All of the investments in the pooled investment vehicles are priced in sterling.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Credit risk

The Scheme is subject to credit risk because the Scheme invests in pooled investment vehicles through an investment platform with Mobius Life ('the Platform Provider') and through Columbia Threadneedle, and therefore is directly exposed to the credit risk of Mobius Life and Columbia Threadneedle. Mobius Life is regulated by the FCA/PRA. In the unlikely event Mobius Life became insolvent and could not meet its obligations, the Trustee would be able to make a claim against the Financial Services Compensation Scheme on behalf of their members. Columbia Threadneedle is regulated by the FCA. The Scheme is indirectly exposed to credit risk in relation to the pooled investment funds. Therefore, the Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment funds.

Investments exposed to credit risk	**2023 £**	**2022 £**
Pooled investment funds:		
Direct and indirect credit risk*:		
CT Real Dynamic LDI	**6,324,279**	7,988,130
CT Nominal Dynamic LDI	**2,121,429**	3,649,719
Newton Real Return Fund	**1,403,778**	3,177,198
LGIM Diversified Fund	**7,283,434**	8,057,123
CT Regular Profile Unleveraged Real Gilt Fund	**17,960,797**	24,830,786
CT Regular Profile Unleveraged Nominal Fund	**13,285,118**	9,631,667
CT Sterling Liquidity Fund	**2,342,020**	9,490,996
Total**	**50,720,855**	66,825,619

* *Indirect credit risks arise through the underlying investments within the pooled funds. Only a portion of the funds may be exposed to credit risk.*

** *Includes only pooled investment vehicles held by the Scheme and excludes the bulk annuity policy, cash held in the Trustee's bank account and AVC investments.*

The Scheme's holdings in pooled investment vehicles do not have a credit rating. Indirect credit risk arising from pooled investment managers is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers, the regulatory environments in which the pooled managers operate and diversification of mandates amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled managers.

Indirect credit risk arises in relation to underlying investments held within the pooled investment vehicles, using bonds, OTC derivatives, repos, balances with banks and stock lending activities. At the Scheme year end the total value of underlying pooled investments subject to credit risk was £50,720,855 (2022: £66,825,619). As part of managing this risk, a number of controls are used by the pooled managers to reduce the impact of this risk, such as holding collateral and monitoring credit ratings associated with each counterparty. This risk is managed by requiring pooled managers to diversify the portfolio to minimise the impact of the default of any one issuer. The information about exposures to and mitigation of credit risk above applied at both the current and previous year end.

Notes to the Financial Statements

17. Investment risk disclosures (continued)

A summary of pooled investment vehicles by type of arrangements is as follows:

	2023 **£**	2022 £
Unit Linked insurance contracts	**50,720,855**	66,825,619
Total	**50,720,855**	66,825,619

Currency risk

All of the Scheme's assets are priced in sterling, so that there is no direct foreign exchange risk. The Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles through the diversified growth funds. In certain circumstances, the pooled fund managers may seek to manage exposure to currency movements by using forward currency contracts.

The Scheme's currency risk exposure at the Scheme year end was as follows:

	2023 **£**	2022 £
Pooled investment vehicles		
Diversified growth*	**8,687,212**	11,234,320
Total*	**8,687,212**	11,234,320

* Currency risks arise through the underlying investments within the pooled funds. In some cases, only a portion of the fund may be exposed to currency risk.

Interest rate risk

The Scheme is subject to indirect interest rate risk because some of the Scheme's investments are held in bonds and cash, through pooled vehicles. The Trustee has invested in funds such as the Real and Nominal Dynamic LDI funds and the Regular Profile Unleveraged Real Gilt Fund, which aim to create significant levels of interest rate risk, in order to offset the level of interest rate risk inherent in the Scheme's liabilities. Under this strategy, if interest rates fall, the value of liability matching investments should rise to help mitigate the increase in actuarial liabilities. Similarly, if interest rates rise, the value of the liability matching investments should fall and the value of the actuarial liabilities would also be expected to fall.

The Scheme is also subject to indirect interest rate risk arising from the underlying instruments of the diversified growth funds. Interest receivable on bank deposits or payable on bank overdrafts and the values of the securities and interest rate derivatives held are affected by fluctuations in interest rates.

At the end of the 2023 Scheme year, 100% of the Scheme's pooled investment assets were subject to interest rate risk (2022: 100%).

Notes to the Financial Statements

17. Investment risk disclosures (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities, equity futures and various derivatives held in the pooled investment vehicles. The Scheme has set a target asset allocation of 15% of investments being held in return seeking investments. At the Scheme period end the return seeking assets represented 17.1% of the total investment portfolio (2022: 16.8%). The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The Scheme also invests in leveraged instruments through the pooled Dynamic LDI funds. The funds hold both gilts and swaps depending on the relative value of these hedging instruments. The relative price of these hedging instruments can vary, giving rise to fund performance differing from than of the gilt and swap benchmarks.

The underlying instruments of the Real dynamic LDI fund and the Regular Profile Unleveraged Real Gilt Fund also offer exposure to changes in inflation and long term inflation expectation. Such instruments will tend to go up in value with rising inflation and fall in value with falling inflation. It should be noted that market values may be affected not only by variations in official inflation rates and by changes in long term inflation expectations, but also by day to day prices, supply/demand and specific structure/features of Such instruments (e.g. terms).

18. Investment concentration

The following investment funds, excluding investments in UK government securities, represented more than 5% of the Scheme's assets as at the year-end:

		2023		2022
	%	**£**	%	£
Pooled investment vehicles				
CT – Regular Profile Unleveraged Real Gilt	**21.9**	**17,960,797**	23.4	24,830,786
CT – Regular Profile Unleveraged Nominal Gilt	**16.2**	**13,285,117**	9.1	9,631,667
Legal & General – Life MAAA Diversified Fund	**8.9**	**7,283,434**	7.6	8,057,123
CT – Real Dynamic LDI	**7.7**	**6,324,279**	7.5	7,988,130
Annuity Policy				
Scottish Widows	**37.7**	**30,882,078**	36.2	38,446,868

19. Current assets

	2023	2022
	£	**£**
Pensions paid in advance	**156,106**	-
Interest on cash deposits	**294**	-
Cash at bank	**212,250**	745,313
	368,650	745,313

20. Current liabilities

	2023	2022
	£	**£**
Accrued benefits	**9,969**	13,600

Notes to the Financial Statements

21. Related party transactions

Administration costs (other than those as disclosed in note 7) and Scheme levies are borne by the Employer.

There were no other related party transactions during the year that are required to be disclosed.

22. Capital commitments

There were no capital commitments as at 30 June 2023 (2022: none).

23. Contingent liabilities

There were no contingent liabilities as at 30 June 2023 or 30 June 2022, other than those to pay future benefits.

Implementation Statement

Scheme year ended 30 June 2023

Overview

The Trustee of the James McNaughton Paper Group Limited Pensions and Assurance Scheme (the "Trustee" and the "Scheme" respectively) has prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019.

Its purpose is to demonstrate how the Trustee has followed the policy on voting, stewardship and engagement as set out in the Scheme's Statement of Investment Principles (the "SIP"), dated September 2022. This statement covers the year to 30 June 2023.

The Scheme's assets are held in pooled investment funds (partly via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the managers of the pooled investment funds (the 'fund managers').

The fund managers are Legal & General Investment Management ("LGIM"), BNY Mellon Investment Management Limited ("BNYM") and Columbia Threadneedle Investments ("CT").

As the Trustee of the Scheme's assets, we are responsible for the selection and retention of the funds. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with the fund managers' stated policies in this regard.

We are satisfied with the voting and engagement activities of the fund managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies on our behalf. The Trustee had no concerns regarding the fund managers' voting and/or engagement activities during the year to 30 June 2023.

Voting and engagement activities

The Trustee's policy, as set out in the SIP, is to consider only factors that are expected to have a financial impact on the Scheme's investments. Details on significant voting and engagement activities provided by the fund managers are set out below.

In order to produce this statement the Trustee has asked the fund managers a series of questions on their policies, actions and have requested examples relating to their voting and engagement activities. In conjunction with their advisers, the Trustee has identified significant voting and engagement activities (i.e. those most relevant to the Trustee's policy) and has summarised the fund managers' responses for the purpose of this statement.

LGIM have provided voting information relating to the Diversified Fund and BNYM have provided information relating to the Real Return Fund, as these funds hold equities for which the fund managers have voting rights.

The CT Dynamic LDI, Gilt and Sterling Liquidity Funds do not hold direct equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. The primary underlying counterparty for the LDI fund assets is the UK government; however the derivatives used mean the funds will also have exposure to clearing houses and investment banks. CT does undertake engagement activities with counterparty banks on relevant issues, where applicable, and examples are included below.

Implementation Statement (continued)

LGIM - voting and engagement activities

The following is based on the information that LGIM have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

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

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

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

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

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA)."

LGIM Diversified Fund

LGIM were eligible to vote on 92,836 resolutions. Votes: For 77%, Against 23%, Abstained <1%.

There were 846 engagements over the year. The majority of engagements were made regarding climate change.

The Trustee has reviewed LGIM's voting activity and in conjunction with their adviser, Cartwright, on the Trustees' behalf, has identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP and the Trustee's stewardship priorities.

1. **SHELL PLC**

Date: 23/05/2023

Resolution: Approve the Shell Energy Transition Progress

Vote: Against (Against management recommendation)

"LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory."

2. TOYOTA MOTOR CORP.

Date: 14/06/2023

Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement

Vote: For (Against management recommendation)

"LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris aligned regulatory environment.
We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified.

Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multipathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this."

3. PUBLIC STORAGE

Date: 02/05/2023

Resolution: Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal

Vote: For (Against management recommendation)

"A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal."

BNYM - voting and engagement activities

The following commentary is based on the information that BNYM have provided in response to our questions on voting and engagement and illustrates how they co-ordinate their voting and engagement activities with companies. Newton are a subsidiary of BNYM and are the entity that manage the Real Return Fund.

"We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

Implementation Statement (continued)

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance.

Whilst Newton conduct most of their engagements directly with companies they do also collaborate with other investors where they believe it will generate a better outcome for investors. For example, they worked alongside eight other investors as part of the Climate Action 100+ group, co-filing a resolution asking BP to explain its thinking on climate change and how its business is aligned with the Paris Agreement. The resolution was passed, opening the door to talk in more detail about its future in the energy transition."

BNYM Real Return Fund

Newton were eligible to vote on 1,112 resolutions. Votes: For 92%, Against 8%, Abstained 0%.

There were 30 engagements over the year. The majority of engagements were made regarding climate change.

The Trustee has reviewed Newton's voting activity and in conjunction with their adviser, Cartwright, on the Trustees' behalf, has identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

1. **LOCKHEED MARTIN CORPORATION**

   Resolution: Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal

   Vote: For

   "We supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in our view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk."

2. **SHELL PLC**

   Resolution: Request Shell to Align its Existing 2030 Reduction Target

   Vote: Against management recommendation

   "Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement.

   As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining on this resolution would convey to the company, in addition to our engagement, the need to add credibility to its transition planning.

Implementation Statement (continued)

We abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, we have abstained in line with our views that the current transition plan merits more robust 2030 goals in order to gain credibility."

3. NEXTERA ENERGY, INC.

Resolution: Disclose Board Skills and Diversity Matrix

Vote: For

"We supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as we believed it would help shareholders to assess how the company is managing related risks."

The Trustee has reviewed Newton's engagement activity and in conjunction with their adviser, Cartwright, on the Trustees' behalf, has identified the following as the most significant example of engagement from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

SHELL PLC

"The key objective is to set absolute Scope 3 emission reduction targets.

Shell's overall disclosures and targets raise questions around the credibility of its transition plan. It has not set an absolute reduction target for Scope 3 emission; its energy mix change and reduction in oil & gas production remain slower than peers; it does not provide disclosures on the probable energy mix in the future (unlike peers like TotalEnergies) that would indicate the level of absolute emissions in the medium and long-term.

Key takeaways

• It does not intend to set an absolute Scope 3 emissions reduction target

• The company maintains that an absolute Scope 3 emissions reduction target would send the wrong message and reinforce the notion that Scope 3 emissions do not fall under the supplier's responsibility – instead it is imperative for demand and supply to work together

We continue to have concerns with Shell's approach. While we acknowledge the company's view on Scope 3 accountability, as well as some other unique considerations it faces, we believe that setting an absolute Scope 3 emission reduction target is key for energy players to give credibility to their transition plan.

We will continue to engage with the company on this."

<u>CT - engagement activities</u>

The following commentary is based on the information that CT have provided in response to our questions and provides an illustration as to how they co-ordinate their engagement activities with companies. These examples provide evidence that they are engaging actively with the companies they invest in on behalf of the Scheme.

"We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider Financial Group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.

Implementation Statement (continued)

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones."

CT Dynamic LDI Funds

These funds contain investments that provide exposure to long dated interest rates / inflation. They do not hold any equity investments and are therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues.

There were 11 engagements over the year.

The Trustee has reviewed CT's engagement activity and has selected the following examples of action companies have taken where CT was engaging:

HSBC HOLDINGS PLC

"HSBC has updated its energy policy to include the ending of funding for new oil and gas projects. In particular it states:

HSBC will not provide new finance, or new advisory services, to any client for the specific purposes of O&G exploration, appraisal, development, and production pertaining to:

- *ultra-deepwater offshore O&G projects;*
- *shale oil projects; extra heavy oil projects;*
- *projects in environmentally and socially critical areas; or*
- *infrastructure whose primary use is in conjunction with the above activities."*

BARCLAYS PLC

"The company announced that it was accelerating its timeline to phase out the financing of thermal coal power in the US from 2035 to 2030, in line with its approach in the UK and EU.

The decision was taken as a result of engagement with shareholders and the introduction of the Inflation Reduction Act in the US."