JAMES McNAUGHTON PAPER GROUP LIMITED PENSION AND ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2022

INTRODUCTION

Law Debenture Pension Trustee Corporation Plc, the Trustee of the James McNaughton Paper Group Limited Pension and Assurance Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustee has consulted Antalis UK Limited ("the Employer") on the Trustee's investment principles.

GOVERNANCE

The Trustee makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers in line with its governance framework for corporate sole trustee appointments. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the required return and level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the required return, level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustee take proper advice. The Trustee's investment consultants, Cartwright Benefit Solutions Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

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 any contributions due) to pay all members' benefits in full;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due (as well as to provide collateral for any hedging instruments); and
- To minimise the risk that a technical provisions deficit will emerge resulting in an Employer contribution being required.

The Trustee understands, following discussions with the Employer, that buying out the benefits with an insurance company, and winding up the scheme, is not a priority. The Employer wishes the Trustee to focus on protecting the Technical Provisions, which represent a low dependency basis.

RISK MANAGEMENT AND MEASUREMENT

The Trustee is aware of and pays close attention to a range of risks inherent in investing the assets of the Scheme. The Trustee believes that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustee further believes that the current investment strategy is appropriate given the Scheme's liability profile. The Trustee's policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of any mismatch between the Scheme's assets and its liabilities. This is therefore the Trustee's principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.

- The Trustee recognises that whilst increasing risk would increase potential returns over a long period, it would also increase the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities, as well as produce more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointment include guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

- The Trustee recognises that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk can be outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management, which may be adjusted from time to time.

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

Should there be a material change in the Scheme's circumstances, the Trustee will review whether the current risk profile remains appropriate.

INVESTMENT STRATEGY

Given their investment objectives the Trustee has agreed to the asset allocation detailed in the table below. The Trustee believes that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Strategic Asset Allocation (%)
Diversified Growth Funds (DGFs)	15.0
Return Seeking Assets:	**15.0**
Nominal Dynamic LDI	85.0
Real Dynamic LDI	
Nominal Gilts	
Real Gilts	
Cash	
Matching Assets:	**85.0**
Total:	**100.0**

The assets shown in the table above exclude the buy-in policies with Scottish Widows, which provide a match for all the pensioner liabilities (as at 10 December 2018) and represented circa 36.5% of total assets as at 17 December 2018.

There is no automatic rebalancing in place. The Trustee will monitor the Scheme's actual asset allocation on a quarterly basis and may take the following courses of action:

- Overall Allocation between Return Seeking and Matching Assets – the Trustee will review the split each quarter and, in conjunction with the investment advice received, decide whether it would be appropriate to rebalance back to the weightings outlined above.

- Return Seeking Assets – the Scheme holds two DGFs and the Trustee will review the allocation to these funds in conjunction with the investment advice received and will decide whether to redirect cash flows, switch between DGFs or take no action.

- Matching Assets – the Trustee has put in place a benchmark based upon the Scheme's liability profile and have delegated responsibility for rebalancing the portfolio on a quarterly basis to look to maintain within agree tolerances the targeted interest rate and inflation hedge ratios of 95% (on a gilts flat basis) to CT. This may involve redirecting cash flows, a switch of assets or taking no action.

Further details on investment funds can be found in the Appendix.

EXPECTED RETURN

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

INVESTMENT MANDATES

The Trustee has selected Columbia Threadneedle Management Ltd ("CT"), Legal & General Investment Management ("LGIM") and BNY Mellon Investment Management ("BNYM") as the appointed Investment Managers ("the Investment Managers‟) to manage the assets of the Scheme. The buy-in policies are managed by Scottish Widows Limited ('Scottish Widows'). The Investment Managers and Scottish Widows are regulated under the Financial Services and Markets Act 2000.

The Trustee requires investment managers to report on the turnover of securities within the invested portfolios, and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable, taking account of the nature of the fund concerned.

PLATFORM PROVIDER

The Trustee has appointed Mobius Life Limited (the "Platform Provider‟) to manage the Scheme's pooled fund assets held with LGIM and BNYM. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the pooled fund assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')

The Trustee believes that their primary responsibility is to invest the Scheme's assets for the longer-term financial best interests of the Scheme's beneficiaries, as reflected by the Trustee's strategic investment objectives (including the Scheme's investment time horizon). The Trustee believes that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme. Further details of this are set out in Law Debenture Pension Trustee Corporation Plc's ESG beliefs document, available on request.

The Scheme's investment funds are chosen to aim to achieve the Scheme's strategic investment objectives, with consideration given to ESG factors over the Scheme's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustee is aware of and regularly monitor the Scheme's investment time horizon. The Scheme's time horizon may change over time and will depend on the length of time for which benefits will continue to be paid and if/when the Scheme is expected to have sufficient assets to buy-out the liabilities with an insurer.

The Scheme's investment funds are deliberately and consciously chosen to align with the Scheme's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Scheme's investment funds are taken into account to ensure that these offer value for money and are consistent with the Scheme's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Scheme's investment funds is the Trustee's assessment of the likelihood of each investment fund achieving its performance target on a medium/long term and sustainable basis, which is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long medium term performance on financial measures.

The Trustee also believes that non-financial measures may in future become financial matters and that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance. The Trustee therefore asks its Investment Managers to engage with companies on its behalf. The Trustee's engagement priorities reflect its views on the most financially material factors, which can change over time but include climate change and good governance. The Trustee also expects its managers to make use of all votes and vote in support of good governance and strong environmental practices. The trustee will review the engagement and voting activity of its Investment Managers and feedback any concerns it has with those activities to the Investment Managers.

However, due to the Trustee's use of pooled investment funds, the application of ESG factors and the stewardship of the assets, (including the exercising of voting and other rights attached to investments), are, ultimately delegated to each Investment Manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard. The Trustee expects the Investment Managers to adopt ESG and Stewardship policies that are in line with the investment fund's objectives and best industry practice.

The Trustee periodically obtains and reviews the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustee will challenge the Investment Manager on their policies. Should the Trustee be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Scheme's beneficiaries, which could involve further engagement with the Investment Manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the Investment Manager to ensure that they are aware of, and as far as possible, meet the Trustee's expectations with regard to ESG and Stewardship policy.

The Trustee does not explicitly take into account the views of the Scheme's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Scheme's beneficiaries.

INVESTMENT MANAGER PERFORMANCE MONITORING

The Trustee measures and monitors the performance versus target of all their investment funds on an after-fees basis, where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered further. The portfolio turnover costs will be part of the after-fees fund performance and are therefore reflected in that figure.

The Trustee's intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustee believes that an investment fund can no longer achieve its performance target, and believes that it is in the Scheme's best interests to make a change, they will do so.

EMPLOYER RELATED INVESTMENTS

The Trustee's policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

FEE STRUCTURES

The Investment Manager of the matching assets, CT, is paid a combined fee which is comprised of a management fee on the based upon a percentage of assets under management and a fixed fee for the management of the benchmark and any rebalancing that is required.

The Platform Provider is paid a management fee on the basis of assets under management which includes the underlying Investment Managers' management fees.

The Investment Consultant is paid on either a fixed fee or time-cost basis, as agreed between the Trustee and Cartwright Benefit Solutions Limited.

REVIEW OF THIS STATEMENT

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

For and on behalf of Law Debenture Pension Trustee Corporation Plc

Director ……………………………………………

Date …………………………………………

On behalf of the Employer ……………………………………………

Date …………………………………………

The James McNaughton Paper Group Limited Pension and Assurance Scheme

APPENDIX – OVERVIEW OF THE SCHEME'S INVESTMENT STRATEGY

The Trustee has appointed the Investment Managers to manage the assets of the Scheme. The Trustee also holds two buy-in policies, which are managed by Scottish Widows, and not included in the table below. The Investment Managers are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset class	Investment manager	Investment fund	Management style	Strategic asset allocation
Diversified growth	BNY Mellon Investment Management	Real Return Fund	Active	2.5%
Diversified growth	Legal & General Investment Management Limited	Diversified Fund	Active	12.5%
Return Seeking Assets				**15.0%**
Gilts	Columbia Threadneedle Management Ltd	Regular Profile Unleveraged Nominal Gilt Fund	Passive	85.0%
Gilts	Columbia Threadneedle Management Ltd	Regular Profile Unleveraged Real Gilt Fund	Passive	
Dynamic LDI	Columbia Threadneedle Management Ltd	Nominal Dynamic LDI Fund	Mechanistic	
Dynamic LDI	Columbia Threadneedle Management Ltd	Real Dynamic LDI Fund	Mechanistic	
Cash	Columbia Threadneedle Management Ltd	Sterling Liquidity Fund	Active	
Matching Assets				**85.0%**
Total				**100.0%**