Aylesford Newsprint Pension Plan

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Aylesford Newsprint Pension Plan (the "Plan"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Plan.

The Plan's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Governance

The Trustees of the Plan make all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Plan.

Investment objectives

The Trustees invest the assets of the Plan with the aim of protecting the monetary value of benefits paid to members. The Plan's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan's circumstances.

In Q3 2023 the Trustees purchased a buy-in insurance policy which covers the Plan's remaining liabilities. A small amount of residual assets is being held alongside the insurance policy and invested in suitable assets with the aim to uplift members' benefits where possible. The Trustees decided to retain their incumbent investment manager for this purpose given the relatively short holding period until the remaining assets are transferred over to the Insurer.

Investment strategy

The Plan's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Plan's liabilities, the risks of investing in the various asset classes and the implications of the strategy (under various scenarios) given the absence of support from a sponsoring employer. The Trustees considered the merits of a range of asset classes.

The benefits of a buy in policy have been deemed appropriate, having taken the Trustees' objectives into account.

Investment Management Arrangements

The Trustees have appointed an insurer and an investment manager ("the providers") to manage the assets of the Plan. The providers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the providers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take the providers' policies into account when selecting and monitoring them. The providers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (Investment) Regulations 2005, except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case the total exposure to employer-related investments will not exceed 5% of the Plan's total value.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed:

Signed on behalf of the Trustees of the Aylesford Newsprint Pension Plan

Date: 26 April 2024

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Plan's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Plan's funding basis. • Investing in an investment strategy that moves broadly in line with the Plan's. liabilities in response to changes in interest rates and inflation.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Plan.	• When developing the Plan's investment and funding objectives, the Trustees take into account the absence of a sponsoring employer.

The Plan is exposed to a number of underlying risks relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan's assets and present value of liabilities from changes in interest rates and inflation expectations.	To broadly hedge these risks relative to the Plan's funding level.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the manager on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
Longevity	Members of the Plan living longer than expected, leading to a larger than expected liability.	To hedge this risk through the purchase of buy-in policies.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B

The Trustees have the following policies in relation to the investment management arrangements for the Plan:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	As the Plan is invested in pooled funds, there is no scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the purchase of the buy-in policy and any pooled fund holdings are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustees review the investment manager's performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustees do not incentivise the investment manager to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	The Trustees review the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees do not directly monitor turnover costs. However, the investment manager is incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Plan's arrangements with the investment managers	The purchase of a buy-in policy is a permanent investment, but this was deemed to be appropriate for the Plan given the additional security it provides for members' benefits.
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustees have acknowledged responsibility for the voting policies that are implemented by the Plan's investment manager on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Plan's investment manager on their behalf. Example stewardship activities that the Trustees have considered are listed below. • Selecting and appointing asset and fiduciary managers – the Trustees will consider potential managers' stewardship policies and activities. • Asset manager engagement and monitoring – on an annual basis, the Trustees assess the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustees' investment decision making.

	• Collaborative investor initiatives – the Trustees will consider joining/supporting collaborative investor initiatives.