September 2020

COLTHROP BOARD MILL PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

1. BACKGROUND

This Investment Statement sets down the principles governing decisions about investments made by the Trustee of the Colthrop Board Mill Pension Scheme (the "Scheme"). This statement is made in accordance with the requirements of the Pensions Act 1995 and the Occupational Pensions (Investment) Regulations 2005 made under the Pensions Act 2004. In preparing this Statement the Trustee has consulted Mayr-Melnhof Cartonboard UK Limited, (the "Employer"). The Trustee has obtained and considered professional advice from Deutsche Bank Wealth Management and a Trustee Director whom the Trustee Directors consider to be qualified by his ability and practical experience of financial matters and to have the appropriate knowledge and experience of the investments of such schemes (together the "investment adviser").

The Trustee's investment responsibilities are governed by the Scheme's trust deed, of which this Statement takes full regard.

2. INVESTMENT POLICY

The Trustee's main aims are:

- to maximise overall return subject to an acceptable level of risk;
- to try and ensure that the Scheme's assets are sufficient to meet the obligations to the beneficiaries of the Scheme;
- to maintain a stable funding level on the Statutory Funding Objective;
- to maintain a stable funding level on the Pension Protection Fund basis;
- to maintain a stable funding level on the buy-out basis;
- to pay due regard to the Employer's interests in maintaining a stable Employer contribution.

Overall the Trustee tries to achieve these aims by seeking to maximise the overall return on the Scheme's assets, whilst maintaining a prudent and balanced investment exposure.

The Scheme's assets are invested in a diversified portfolio managed by Deutsche Bank Wealth Management.

The funds are invested in Bonds and Equities. The individual funds are invested with the aim of maximising return while also recognising the liabilities of the Scheme.

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The required distribution of assets across the asset classes has been set as:

Asset Class	Weighting	Control Range
Equities	35%	30%-40%
Bonds	65%	60%-70%
Cash	0.0%	0%-10%

The Trustee may, from time to time, decide to invest the assets of the Scheme outside of the control ranges shown above, for short-term tactical reasons.

Limitations

The following limitations shall apply:

- Investment in a single investment shall not exceed 2% of the value of the portfolio;

- Total investment in a single entity shall not exceed 4% of the value of the portfolio**.**

A single investment is defined as the exposure to a single bond of a fixed maturity and coupon or a direct equity holding.
The entity limitation should be considered as the total economic exposure to a single company comprised of both bond and equity holdings.
Whilst the limitations apply strictly to direct holdings in the portfolio, the investment manager should also be aware of exposure to an entity gained through collective investments, although it is recognised that the investment manager has no control over the investment decisions of third party fund managers nor their communication of changes made.

Investments in any of the following assets require prior approval by the Trustee Board:

- UK Gilts
- Sovereign bonds or anything similar in appearance
- Foreign currency investments (other than GBP).

Investment in the following assets is prohibited:

- Private Equity
- Alternative investments and hedge funds

The proportion of the total assets in each asset class will be monitored and rebalanced at the discretion of Deutsche Bank Wealth Management within the guidelines set by the Trustee. Deutsche Bank Wealth Management has the freedom to invest up to 100% of the assets in cash for short term tactical reasons.

The Trustee will also take regular advice to assess the suitability of any changes to the asset allocation distribution.

A small working balance is retained in the Trustee's bank account to meet day to day cash flows.

The Trustee does not hold any employer related investments, as defined under section 40 of the Pensions Act 1995. It does not intend to hold any employer related investments in the future.

The Trustee has appointed Deutsche Bank Wealth Management to administer, on its behalf, the assets of the Scheme. Deutsche Bank Wealth Management is an authorised investment management company and, as such, is regulated by the Financial Services Authority (FSA). The Trustee's contract with Deutsche Bank Wealth Management is evidenced by a formal investment management agreement ("the Agreement"). The Agreement provides important protections for the Scheme itself and for the Trustee. It also sets out the terms on which the assets are managed, the investment briefs, guidelines and restrictions under which the investment manager works.

In achieving the above aims, a target for investment returns will be agreed for each of the main asset classes with Deutsche Bank Wealth Management, as follows:

Asset Class	Benchmark
UK Equities	FTSE All Share Index
Overseas Equities	FTSE Whole of Europe ex. UK Index
Corporate Bonds	Merrill Lynch Sterling non-Gilt Index
UK Gilts	FTSE Actuaries Govt Securities UK Gilts All Stocks Index

The investment policy is subject to review at each actuarial valuation or in the event of significant changes to the balance of liabilities of the Scheme.

3. THE TRUSTEE'S POLICY WITH REGARD TO RISK

The Trustee's policy with regard to risk and how risk is managed is set out in the Appendix.

4. BUYING AND SELLING INVESTMENTS

The responsibility for buying and selling the investments has been delegated to Deutsche Bank Wealth Management. The day to day activities of Deutsche Bank Wealth Management are governed by the Agreement which will be reviewed from time to time to ensure that the guidelines, restrictions and operating instructions remain appropriate.

5. THE TRUSTEE'S POLICY WITH REGARD TO SOCIAL, ENVIRONMENTAL AND ETHICAL CONSIDERATIONS, VOTING RIGHTS AND CORPORATE GOVERNANCE.

Investment Beliefs

The investment beliefs stated below have been developed by the Trustee and are reflected in the Scheme's investment strategy.

Appropriate Time Horizon

In determining investment objectives and a suitable investment strategy for the Scheme, the Trustee takes into account an appropriate time horizon. The appropriate time horizon will be reviewed periodically noting the inherent uncertainties in the length of time that benefits are expected to be paid from the Scheme.

Use of Pooled Funds

Deutsche Bank Wealth Management may utilise pooled funds managed by third parties. The appointment of such funds is delegated to Deutsche Bank Wealth Management .

Use of Active Management

Active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility. In addition, it is recognised that active management may help to mitigate the financial impact of Environmental, Social and Governance (ESG) risks.

The Trustee will periodically consider whether the higher fees associated with active management are justified.

ESG

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that may apply over the appropriate time horizon.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustee when selecting and monitoring investment managers.

Non-financial matters and Investment Strategy

The Trustee does not take account of non-financial matters when determining the Scheme's investment strategy.

Investment Manager Selection

The Trustee delegates the day to day management of the assets, including selection, retention and realisation, to professional investment managers.

When considering the suitability of an investment manager, the Trustee (in conjunction with its investment adviser), will take account of all matters which are deemed to be financially material. In particular, the Trustee will, when selecting an investment manager:

- ensure that the investment manager has the appropriate knowledge and experience;
- ensure that the investment manager's mandate is appropriate; and
- consider the investment manager's approach to ESG matters.

When selecting investment managers, the Trustee may also take into account matters which are not financially material such as the investment manager's administrative capabilities and the liquidity of the investments.

Members' Views

The Trustee recognises that it is likely that members and beneficiaries will hold a broad range of views on ESG and other non-financial matters. Whilst the Trustee will seek to avoid investing in a way that is likely to be strongly opposed by those individuals, the Trustee does not directly take such views into account when determining the Scheme's investment strategy.

The Trustee believes that its duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustee's Investment Policy is designed to ensure this duty is achieved.

ESG Risks & Corporate Engagement

Where the Trustee invests in pooled investment vehicles, it is accepted that the extent to which corporate governance, socially responsible practices and ethical behaviour are used in the selection of suitable investments will be determined by the investment managers' own policies on these matters.

Similarly, it is accepted that ongoing engagement with companies in which investments are made (including the exercise of voting rights) will also be determined by the investment managers' own policies. When considering the suitability of investment managers, the Trustee (in conjunction with its investment adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

The Trustee recognises that the membership might wish the Trustee to engage with the companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society.

However, the Scheme's share holdings are invested in pooled funds and, as noted above, the Trustee therefore relies on the investment managers of these funds to carry out such engagement. The Trustee recognises that the various investment managers' engagement policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

The Trustee (in conjunction with its investment adviser) has considered the likely impact of the financially material ESG risks associated with all of the Scheme's investments and has assessed the mitigation of such risks implemented by each of the investment managers. In making this assessment, the Trustee recognises that, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.

In the event that ESG policies and practices are considered to be unsuitable, the Trustee will replace the investment manager in question. In respect of pooled funds selected by Deutsche Bank Wealth Management, the Trustee expects Deutsche Bank Wealth Management to replace the funds if it deems the ESG policies and practices to be unsuitable.

Monitoring

The Trustee regularly reviews the Scheme's investments for all matters considered to be financially material over the future period for which benefits are expected to be paid from the Scheme. This includes reviewing that the assets continue to be managed in accordance with each manager's mandate and that the choice of managers remains appropriate.

Furthermore, the Trustee regularly monitors the position of the investment managers with regards to ESG matters.

6. INVESTMENT MANAGER ARRANGEMENTS

As the Scheme's assets are held in pooled funds, the Trustee has limited influence over the investment managers' investment decisions. In practice, investment managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is therefore the Trustee's responsibility to ensure that the approaches adopted by investment managers are consistent with the Trustee's policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. The Trustee assesses this when selecting and monitoring managers.

The Trustee's policy on selecting, monitoring, evaluating and (where necessary) terminating these arrangements is set out in further detail below.

Compatibility of Pooled Funds with the Trustee's Investment Strategy

When selecting a pooled fund, the Trustee considers various factors, including:

- the assets that will be held within that fund and whether the asset allocation of the fund is expected to change over time;
- the risks associated with the fund along with the return that is expected;
- the fund's objective (as stated by the fund's investment manager) and whether the objective is consistent with the performance that the Trustee expects from that fund;
- the fund's fee structure to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the fund in a way that differs from the expectations of the Trustee;
- how frequently underlying investments within the fund are expected to be traded by the investment manager;
- how financially material considerations (including ESG factors) over the appropriate time horizon are taken into account by the investment manager;
- the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund; and
- the investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG matters. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

After analysing the above characteristics for a fund, the Trustee identifies how that fund would fit within their overall investment strategy for the Scheme and how the fund is expected to help the Trustee meet their investment objectives.

Duration of Investment Manager Arrangements

The Trustee normally expects that pooled funds will be held for several years.

However, as part of the periodic strategic asset allocation reviews (which take place at least every three years), the Trustee will review whether the ongoing use of each fund remains consistent with their investment strategy.

The Trustee regularly monitors the financial and non-financial performance of the pooled funds held and details of this monitoring process is set out below. If the Trustee becomes concerned about the ongoing suitability of a pooled fund, they may reduce exposure to it or disinvest entirely. Such action is expected to be infrequent.

Monitoring Pooled Funds

The Trustee regularly assesses the performance of each fund held and this monitoring includes an assessment of whether the investment manager continues to operate the fund in a manner that is consistent with the factors used by the Trustee to select the fund (as listed above).

When assessing the performance of a fund, the Trustee does not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

The Trustee expects the investment managers of pooled funds to invest for the medium to long term and they expect investment managers to engage with issuers of debt or equity with a view to improving performance over this time frame.

If it is identified that a fund is not being operated in a manner consistent with the factors used by the Trustee to select the fund, or that the investment manager is not engaging with issuers of debt or equity, the Trustee may look to replace that fund. However, in the first instance, the Trustee would normally expect its investment adviser to raise the Trustee's concerns with the investment manager. Thereafter, the Trustee, in conjunction with its investment adviser, would monitor the performance of the fund to assess whether the situation improves.

Portfolio Turnover

The Trustee is aware of the requirement to monitor portfolio turnover costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments).

When selecting a pooled fund, the Trustee will consider how the investment manager defines and measures:

- the targeted portfolio turnover (the frequency within which the assets of the fund are expected to be bought or sold); and

- turnover range (the minimum and maximum frequency within which the assets of the fund are expected to be bought or sold).

At least annually, the Trustee, in conjunction with their investment adviser, will consider the transaction costs incurred on each pooled fund. As part of this analysis, the Trustee will consider whether the incurred turnover costs have been in line with expectations.

The Trustee will take the above information on portfolio turnover into account when assessing the ongoing suitability of each pooled fund.

7. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

AVCs are held separately from the main Scheme assets.

8. COMPLIANCE WITH THIS STATEMENT

The Trustee and Deutsche Bank Wealth Management all have duties to perform to ensure compliance with this Statement. These are:

- **The Trustee** will review this Statement at least every 3 years. The Trustee will also review Deutsche Bank Wealth Management's performance and actions on a regular basis.

  The Trustee will also take advice in relation to future changes of the liability profile of the Scheme.

- **Deutsche Bank Wealth Management** will prepare quarterly reports (or more regularly as required) to the Trustee including:

  - a valuation of all investments held by them for the Scheme;
  - records of all transactions;
  - a review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy,

- **First Actuarial LLP**, the Trustee's actuarial advisers, will provide the advice about the nature of the Scheme's liabilities needed to allow the Trustee to review and update this statement after each triennial valuation (or more frequently if required).

Deutsche Bank Wealth Management will be given a copy of this Statement and any amendments made to it.

……J .C.Tomkins……………………………………………..
Date………23/09/2020………………

For and on behalf of

CBML Pension Trustees Limited

September 2020

Appendix - The Trustee's policy with regard to risk

The Trustee recognises a number of risks involved in the investment of the Scheme's assets. The following table shows each type of risk along with the Trustee's policy on how each risk is to be measured and managed.

Type of risk	Measured by	Managed by
Mismatching	Value of liabilities and assets not moving in line with one another.	The Trustee adopts an investment strategy, which considers investments that "best" match the Scheme's liabilities. The Trustee considers what extent to match the assets to the liabilities and the risk of mismatching. The Trustee accepts that even where they decide to match, perfect matching is not possible and that there will be some residual mismatching risk. The degree of mismatching risk will be monitored periodically and at any time should there be a significant change in the financial strength of the sponsoring employer.
Solvency	Funding position on a solvency buy-out basis changing from one valuation to the next.	The Trustee accepts that the assets are invested to match the liabilities on an ongoing basis and not a buyout solvency basis.
Currency	Value of liabilities and assets not moving in line with one another as a result of currency fluctuations in assets	The majority of the Scheme's assets are sterling based and the Trustee, in conjunction with the fund manger, regularly reviews any currency exposure there may be. Foreign currency investments are subject to a related approval by the Trustee Directors.
Liquidity	Failure to meet benefits as they fall due, as a result of an inability to realise assets.	The Trustee examines the projected cash flow of the Scheme and, if there is predicted to be a net outflow in a given year, will ensure sufficient assets are held in cash or other liquid assets.
Diversification	Concentration of assets in any one company resulting in underperformance of asset values	The Trustee has strict limitations on the concentration of the Scheme's investments. In addition, the Trustee holds no employer related assets.

Manager	Underperformance relative to other fund managers	The Trustee will monitor the Fund Manager performance on a regular basis.
Fraud	Loss of assets as a result of fraud	The appointed Fund Manager provides custody of the majority of the Scheme's assets and accepts responsibility should fraud be undertaken by their staff. The Trustee has put in place strict controls on who can authorise the transfer of cash and the accounts to which transfers can be made.
Legislative	Impact of additional legislative requirements affecting either: • an increase in the value of the liabilities, or • a fall in asset values or expected future returns.	The Trustee has no control over this type of risk. If the risk emerges then Trustee will review the investment strategy.
Political	Value of investments adversely affected by political action, such as • change in government, • change in supply of gilts.	The Trustee has no control over this type of risk, other than to avoid investing (or restricting investment in) countries with an unstable political climate. However, the Trustee accepts that the pension fund is a long term investment and that the value of assets may be subject to short-term volatility.