Medway Packaging Pension Scheme
(“the Scheme”)
Statement of Investment Principles

Investment Objective

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee considered the lowest risk strategy that it could adopt in relation to the Scheme's liabilities.

STRATEGY

The Trustee agreed a low risk investment strategy comprising of a full scheme Buy-in contract with Pension Insurance Corporation (PIC) (“the Buy-in”). The Trustee believes this strategy is invested in a manner which is appropriate given the nature and duration of the liabilities payable under the Scheme. The Buy-in protects the Scheme from the interest rate, inflation and longevity risk associated with the liabilities covered by the policy.

In addition to the Buy-in, the Scheme's residual assets are held in two UK gilt funds and a cash fund through investment with BlackRock Investment Management Limited (“BlackRock”). The Trustee considered the uninsured liabilities of the Scheme and having sought advice, believes this to be a low risk strategy for the uninsured assets.

Asset Allocation	**Target %**
BlackRock Aquila Life All Stocks UK Gilt Index Fund	25.0
BlackRock Aquila Life All Stocks UK Index Linked Gilt Index Fund	55.0
BlackRock Institutional Cash Series GBP Liquidity Premier Fund	20.0
Total	**100.0**

RISK

The Buy-in removes most of the investment risks to which the Scheme may otherwise be exposed. The Trustee considers risk holistically and in the context of the Scheme and its liabilities. The Trustee has identified the key risks outlined below:

- The risk of a default by a bulk annuity provider (Buy-in insurer) ("insurer default/credit risk"). The Trustee and its risk settlement advisors considered the strength of PIC before entering into the policy, whilst considering the wider regulatory framework within which they are required to operate.
- The risk that the residual assets lose most of their value and become insufficient to meet the other payments the Scheme needs to make, such as any true-up premium to PIC, scheme expenses etc
- The risk of a significant difference in the sensitivity of uninsured assets and liabilities to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

IMPLEMENTATION

The Buy-in is intended to cover all Scheme beneficiaries and their prescribed benefit entitlements, and to eliminate interest rate, inflation and longevity risk associated with those liabilities. The insurer pays the Scheme an amount each month equal to the pension payment due in respect of the membership underlying the policy. The Buy-in is an asset of the Scheme and the pension liability remains within the Scheme.

The residual assets consist of a two gilt funds and a cash allocation through investment in BlackRock pooled funds. The Trustee has delegated all day-to-day decisions about the residual assets, including the realisation of investments, to the fund manager through a written contract.

Aon Investments Limited (AIL) has been selected as investment adviser to the Trustee. AIL operates under an agreement to provide a service which ensures the Trustee are fully briefed to take decisions themselves and to monitor those they delegate. AIL is currently paid on a time-cost basis with fees agreed in advance, where appropriate. This structure has been chosen to ensure that cost-effective, independent advice is received.

ARRANGEMENTS WITH INVESTMENT MANAGERS

Given the nature of the assets the Trustee believes that PIC and BlackRock are incentivised to manage their portfolios in an appropriate manner, it also believes that it has limited scope to influence their various policies. As such the Trustee does not seek to monitor these on an ongoing basis. Should the Trustee be provided with any opportunity which it deems appropriate to engage, it will consider this and will outline its views and expectations. Given the long-term nature of the Buy-in policy the Trustee does not believe that it is appropriate for the ongoing performance or appointment of the insurer to be reviewed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

In setting the Scheme's investment strategy the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring performance.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the majority of the Scheme's assets in a Buy-in policy and therefore has limited ability to influence the environmental, social, and governance ("ESG") policies and practices of the companies in which the Buy-in policy invests. ESG considerations were a contributing factor in the selection of the Buy-in Provider. Residual assets are invested in cash or gilts with BlackRock, where the Trustee considers ESG and climate to not present material risks.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustee accepts responsibility for how PIC stewards assets on its behalf, including the casting of votes in line with its voting policies. The Trustee does not attempt to influence the ESG integration or stewardship policies and practices of PIC in managing these assets but did consider the policies of the insurer at the point of purchasing the Buy-in policy, to the extent it was practical, to ensure the policies were in line with the Trustees' beliefs.

The Trustee periodically reviews the stewardship activity of PIC and how it takes issues such as ESG and climate change into account. The Trustee expects PIC to be signatories to relevant initiatives which may include the UN Principles for Responsible Investment, and where relevant adopt, the Financial Reporting Council's UK Stewardship Code for the asset classes in which they invest.

The Scheme's residual assets are invested in cash and gilts with BlackRock. Given the relatively small proportion of Scheme assets invested with BlackRock and the limited materiality of stewardship to these asset classes, the Trustee does not have a formal stewardship policy in place for these assets.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of individual Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

COST MONITORING

The Trustee is aware of the importance of monitoring costs and the impact these costs can have on the overall value of the Scheme's assets.

The Trustee notes that the importance of monitoring costs will focus on the residual assets and, as such, annual cost transparency reports from the manager will help understand what costs have been incurred on assets with a low expected return.

Given the nature of the Buy-in contract, the Trustee does not believe it is appropriate for it to monitor or evaluate the factors as it does not have any influence on the insurer's investment strategy nor does it remunerate the insurer.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has considered whether it has the appropriate training and expert advice in order to take an informed decision.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

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[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Fund managers are remunerated on an ad valorem basis which ensures the fund managers' interests are aligned with those of the Scheme. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

The Trustee will review this SIP at least every three years and following any significant change in investment policy. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Dated: February 2023