

Paper Converting Machine Company Ltd Staff Pension Plan (the "Plan")

Statement of Investment Arrangements – July 2023

1. Introduction

The Statement of Investment Arrangements (the "Statement") has been prepared by the Trustee of the Paper Converting Machine Company Limited Staff Pension Plan ("the Plan") to complement the Statement of Investment Principles dated July 2023.

The purpose of this Statement is to document specific details in relation to Plan investments which are not required to be recorded at a "principle level".

2. De-risking Approach

The Plan's assets are invested with Mercer. The Plan's funding level (on a "gilts + 0.5%" basis) is monitored with triggers according to the levels set out in the table below.

When a trigger is breached Mercer will notify the Plan as soon as reasonably practicable. However, there will be no automatic switching from growth to matching assets.

| Funding Level Band | Trigger to move into Band (Funding Level %) | Target Growth Allocation (% of total assets) |
|--------------------|--|---|
| 7 | n/a | 25.0 |
| 8 | 106.0 | 25.0 |

The investment strategy will be reviewed on an approximately annual basis, with the assistance of Mercer, to ensure that the triggers set remain appropriate and are amended if required. In addition, the recalibration will take into account any significant investment and Plan experience over the year.

3. Individual Fund Performance Objectives and Tracking Error Targets

Within the guidelines set out in the Investment Management Agreement, the Trustee has delegated the allocation of assets within the Growth and Matching portfolios to Mercer.

Responsibility for monitoring the Plan's asset allocation and undertaking any rebalancing activity when the range restrictions are breached is delegated to Mercer. Mercer reports quarterly to the Trustee on any breaches to the range restrictions.

The benchmark index and tracking error expectation for each of the portfolios that may be invested in from time to time is set out in the table overleaf.

| Mercer Portfolio | Benchmark Index | Tracking Error Expectation (%p.a.)¹ |
|--|---|---|
| Diversified Growth Fund (unhedged/hedged) ² | FTSE GBP 1 Month Euro Deposit Index +3.0% p.a. | -n/a ³ |
| MGI UK Long Gilt | FTSE Actuaries UK Conventional Gilts Over 15 Year Index | Less than 0.25 |
| MGI UK Inflation Linked Bond | FTSE Actuaries UK Index Linked Gilts Over 5 Year Index | Less than 0.25 |
| Mercer Sterling Nominal LDI Bond | BlackRock Custom Benchmark ⁴ | n/a |
| Mercer Sterling Inflation Linked LDI Bond | BlackRock Custom Benchmark ⁴ | n/a |
| Mercer Flexible Enhanced Matching Fixed – Short, Medium and Long | BlackRock Custom Benchmark ⁵ | n/a |
| Mercer Flexible Enhanced Matching Real – Short, Medium and Long | BlackRock Custom Benchmark ⁵ | n/a |
| Mercer Flexible Enhanced Matching Inflation - Short | As Portfolio | n/a |
| Mercer Tailored Credit Fund 1 | As Portfolio ⁶ | n/a |
| MGI UK Cash | FTSE GBP 1 Month Euro Deposit Index | 0.5 |

4. Review of this Statement

The Trustee will review this Statement in conjunction with any review of the Statement of Investment Principles and without delay after any significant change in investment arrangements.

¹ Measured over rolling 5 year periods unless otherwise stated.

² The long term performance target for the DGF is Cash + 3.0-4.0% p.a.

³ The portfolio aims to achieve its performance target over the long terms with 2/3 equity volatility

⁴ These funds invest in a range of gilts and gilt strips defined by Mercer and there have no publically quoted benchmark

⁵ These portfolios aim to match the performance of a series of fixed or index-linked cash flows, discounted using the derivative or gilt yields depending on the instruments being utilised, over the lifetime of the funds, and so have no publically quoted benchmark.

⁶ This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.