Field Group Pension Plan

Statement of Investment Principles – September 2020

Mercer has drafted this Statement of Investment Principles for review by the Trustee taking into account applicable legislation. Please ensure that you carefully review the information contained in it. Mercer has not been engaged, and is unable, to provide legal advice and the Trustees may wish to ask the Plan legal advisers to review the Statement to ensure that it complies with all legal and regulatory requirements.

1. **Introduction**

The Field Group and Chesapeake Pension Trustee Limited, as Trustee of the Field Group Pension Plan (the "Plan") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Plan's investment policy. Details of how this policy has been implemented are set out in a separate Investment Policy Implementation Document ("IPID"), which should be read in conjunction with the Statement. The Trustee's investment responsibilities are governed by the Plan's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Multi Packaging Solutions UK Limited (the "Company") to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Plan's investment arrangements and, in particular on the Trustee's objectives.

The Trustee seeks to maintain a good working relationship with the Company and will discuss any proposed changes to the Statement with the Company. However, the Trustee's fiduciary obligations are to the Plan's members and will take precedence over the Company's wishes.

2. **Process For Choosing Investments**

The stewardship of the Plan's investment arrangements may be divided into three main areas of responsibility. The first (Sections 3, 4 and 5) deals with the strategic management of the Plan's assets, which is fundamentally the responsibility of the Trustee, and is driven by its investment objectives. The second area is the day-to-day management of those assets. The third part is the ongoing monitoring of the performance of the appointed asset managers The Trustee has established an Investment Committee, and has delegated to the Committee some decisions relating to the investments for the Plan, as well as the investments for the Chesapeake Pension Plan. The Trustee monitors the decisions taken by the Investment Committee.

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution to implement the Trustees strategy whereby the level of investment risk reduces as the Plan's funding level improves. In this capacity and subject to agreed restrictions the Plan's assets are invested in multi-client collective investment schemes ("Mercer Funds"). The Mercer Funds are domiciled in Ireland (for traditional asset classes) and in Luxembourg (for private markets assets).

The Ireland-domiciled collective investment schemes are managed by a management company (Mercer Global Investments Management Limited (“MGIM”)) and the Luxembourg-domiciled funds are managed by Mercer Alternatives (Luxembourg) S.à r.l. and, respectively, these entities have appointed Mercer Global Investments Europe Limited (“MGIE”) and Mercer Alternatives AG (“Mercer AG”) as investment managers of the Mercer Funds.

In practice, assets in the Mercer Funds are invested with third party fund managers based in countries such as Ireland, UK and USA. Mercer and its affiliates have expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Plan’s assets on a day to day basis.

In considering appropriate investments for the Plan, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee’s objective is to invest the Plan’s assets in the best interest of the members and beneficiaries. Within this framework, to help guide it in the strategic management of the assets and control the various risks to which the Plan is exposed, the Trustee (in consultation with the Company) has agreed a number of key investment objectives.

The Trustee believes its prime duty is to invest the Plan’s assets in such a manner that it is likely that the Plan’s liabilities can be met. To achieve this, the Trustee is constantly aiming to achieve and maintain a funding level in excess of 100% under the basis used to calculate the Technical Provisions, as advised by the Plan Actuary from time to time.

The Trustee is aiming to achieve a funding level in excess of 110% on a prudent long-term funding basis. Once full funding on this basis is achieved, the assets will primarily be invested in gilts and high quality credit.

The Trustee recognises the value of excess return over UK Government bonds in terms of reducing costs (thereby retaining the Company’s commitment to the Plan) and/or improving benefits. It is therefore prepared to take on risk in pursuit of this excess return by investing in equities and other return enhancing asset classes.

The Trustee understands that taking some investment risk, with the support of the Sponsoring Company, is necessary to improve the Plan’s ongoing and solvency funding positions. The Trustee recognises that investment in equities and other growth assets (the Growth Portfolio) will bring increased volatility of the funding level, but in the expectation of improvements in the Plan’s funding level through equity (and other growth assets) outperformance of the liabilities over the long term.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension plan is exposed. The Trustee's policy on risk management over the Plan's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities and the Company's ability to support this mismatch risk.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more volatility in the Plan's funding position.

- To control the risk outlined above, the Trustee, having taken advice, sets the split between the Plan's Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in Section 3. As the funding level improves, investments will be switched from the Growth Portfolio into the Matching Portfolio with the aim of reducing investment risk.

- Whilst moving towards the target funding level, the Trustee recognises that even if the Plan's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Plan's assets and the Plan's liabilities due to the mismatch in duration between Matching Portfolio and actuarial liabilities.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk the Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions). Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets the scope for achieving added value is more limited.

- To help diversify manager specific risk, within the context of each of the Growth and Matching Portfolios, the Trustee expects that the Plan assets are managed by appropriate underlying asset managers.

- By investment in Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Plan's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure) such investments would normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to improve diversification. In any event the Trustee would ensure that the assets of the Plan are predominantly invested on regulated markets.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.

- Responsibility for the safe custody of the Plan's assets is delegated to MGIM who has appointed State Street Bank and Trust Company ("State Street") as custodian of the assets invested in their vehicles. MGIM is responsible for keeping the suitability of State Street under ongoing review with the exception of the Private Investment Partners IV Fund where M.M. Warburg & Co is the custodian and Private Investment Partners V Fund where ING Luxembourg S.A. is the custodian.

- Arrangements are in place to monitor the Plan's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Investment Committee meets regularly with Mercer and receives regular reports from Mercer on the underlying asset managers. These reports include an analysis of the overall level of risk and return, along with their component parts, to ensure the risks taken and returns achieved are consistent with those expected.

Should there be a material change in the Plan's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current de-risking strategy remains appropriate.

5. Investment Strategy

The Trustee, with advice from the Plan's Investment Consultant and Scheme Actuary, reviewed the Plan's investment strategy in 2013. This review considered the Trustee's investment objectives, its ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long term solution to "de-risk" the Plan's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustee decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates the asset allocation to the Plan's funding level (on an actuarial basis using a single discount rate of 0.25% p.a. in excess of the appropriate gilt yields i.e. "gilts + 0.25% basis"). The de-risking rule mandates the following practices:

- To hold sufficient growth assets to target 110% funding on a gilts +0.25% basis, which is reviewed annually, by 2034;

- To reduce the volatility in the funding level by reducing un-hedged liability exposures;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking strategy takes account of the Plan's initial funding level on a gilts +0.25% basis and is based on a model of the progression of the Plan's funding level over the period to 2034.

The de-risking triggers which form the basis of the Plan's dynamic investment strategy are set out in a separate document – the Investment Policy Implementation Document.

Once the funding level has moved through a band, the asset allocation will not be automatically "re-risked" should the funding level deteriorate. The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

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 its rebalancing activities.

6. Realisation of Investments

The Trustee on behalf of the Plan holds shares in the Mercer Funds. The investment managers to the Mercer Funds ((including the underlying third party asset managers appointed by MGIE) within parameters stipulated in the relevant appointment documentation, have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Plan's assets in line with the Plan's strategic allocation .Mercer is responsible for raising cash flows to meet the Plan's requirements.

8. Rebalancing

Rebalancing ranges have been set within the Growth and Matching Portfolios to ensure the Plan's assets remain invested in a manner which is consistent with the schedule set out in the Investment Policy Implementation Document ("IPID"). The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

In the event of a funding level trigger being breached, the assets will be rebalanced to bring them in line with the reduced Growth Portfolio weight, under the new de-risking band, as defined in the IPID.

9. ESG, Stewardship, and Climate Change

The Trustee believes that environmental, social, and corporate governance (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 increasingly may require explicit consideration.

As noted above the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Plan's assets and such assets are invested in Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship are integrated within Mercer's and MGIE's investment processes and those of the underlying asset managers in the monitoring process. Mercer and MGIE are expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

Member views

The Trustee does not explicitly consult member views when making investment decisions but regularly updates members via newsletters, by making a copy of the Statement of Investment Principles available on request and through Member Nominated Trustee engagement with members. This position will be kept under review.

Investment Restrictions

The Trustee has not set any investment restrictions in relation to particular Mercer Funds.

10. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Plan, in particular, long-term liabilities.

As Mercer manages the Plan's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 5. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Plan's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis.

The Trustee focuses on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer, MGIE or Mercer AG make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE and Mercer AG to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Plan.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE and Mercer AG may be based, at least in part, on their success in meeting expectations.

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Plan's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

Mercer AG fees are charged based on net commitment for the first four years following the final close and, thereafter, by reference to the Net Asset Value of the Mercer Fund.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Plan. Mercer's, MGIE's, Mercer AG's and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Plan's annualised, MiFID II compliant Personalised Cost & Charges statement. The Plan's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Other than in respect of private markets investments where turnover in the Mercer Funds does not usually apply, performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

11. Additional Assets

The Trustee allows members to contribute to additional voluntary contributions (“AVCs”).

12. Monitoring

The Trustee will monitor compliance with this Statement annually.

The Trustee meets with Mercer to discuss the performance, activity, and any wider issues on a regular basis.

13. Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the investment strategy detailed above. This will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such 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 plan investments. Any such review will be carried out in consultation with the Company.

Signed for and on behalf of the Field Group and Chesapeake Pension Trustee Limited

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Signature   ***Date***

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