Graphic Packaging UK Pension Scheme
Statement of Investment Principles

This Statement sets out the Principles governing decisions about the investments of the Graphic Packaging UK Pension Scheme (the "Scheme"). The Principles outlined in this Statement of Investment Principles became effective following the delegation of certain decision-making powers by the Trustee to their fiduciary manager Aon Investments Limited (AIL) (the "Manager"). The Trustee has taken advice from Aon Solutions UK Limited (ASL) regarding the suitability of the Manager in this capacity and recognises that there exists a conflict of interest in taking this advice. The Trustee has consulted with Graphic Packaging International Europe UK Limited (the "Employer").

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 investment strategy, the Trustee first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the return on liabilities while maintaining a prudent approach to meeting the Scheme's liabilities.

The current overall objective which has been agreed with the Employer is to set an investment strategy that initially targets an expected return over the Liability Benchmark of 1.5% p.a. net of fees. As the funding level increases the targeted expected return will be reduced in line with a "Flight Plan", the current Flight Plan is detailed in Appendix A.

STRATEGY

The investment strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The objective was decided following an asset-liability study and expert advice from the Trustee's investment advisers. The Trustee's investment advisers carried out the study by modelling the Scheme's liability structure and a range of alternative investment objectives.

The **asset allocation** is chosen by the Manager to meet the objective stated above. It is based on the assumption that equities will outperform gilts over the long term, that active management will add value and that some alternative asset classes offer diversification and outperformance relative to bonds. The asset allocation chosen by the Manager to meet the given investment objective may vary over time, including the allocation between the Hedging Component and the Growth Component and the asset allocation of the Growth Component. The Hedging Component aims to reflect the movement in the Scheme's liabilities whilst the Growth Component invests in a broad range of asset classes.

The Trustee has instructed the Manager on the proportion of inflation and interest rate sensitivity to hedge. The target level of protection against changes to inflation expectations and interest rates is set at the value of the assets. The Trustee will monitor the target level of interest rate protection periodically.

When contemplating the Scheme's investment approach the Trustee held discussions with its investment advisers focussing on the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee has consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and their advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure of the Manager to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and their advisers both upon the initial appointment of the Manager and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and their advisers considered this risk when setting the Scheme’s investment strategy.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). 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.

Due to the complex and interrelated nature of these risks, the Trustee considered the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustee to monitor some of the key risks they receive quarterly reports showing:

- Performance versus the estimated growth in the Scheme's liabilities.
- Performance of the Manager and the fund managers chosen by the Manager versus target.
- Any significant issues with the Manager and the fund managers chosen by the Manager that may impact their ability to provide the service agreed by the Trustee.

IMPLEMENTATION

ASL has been selected as investment adviser to the Trustee. ASL is paid on an ad valorem basis for the work it undertakes for the Scheme. The Manager is paid on an ad valorem basis and from this amount the Manager will pay the fees of the underlying managers in which it invests. This structure has been chosen to align the interests of the Manager with those of the Scheme.

The Trustee has delegated all day-to-day decisions in respect of the Scheme's investments to the Manager through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustee and Manager are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

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.

Environmental, Social, and Governance ("ESG") considerations

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustee considers these risks by taking advice from its investment adviser.

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 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]).

Stewardship Policy

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 ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee receives and reviews annual reports on stewardship activity carried out by their **Manager**, these reports include detailed voting and engagement information from **underlying managers**.

As part of the **Manager's** management of the Scheme's assets, the Trustee expects the **Manager** to:

- Where relevant, assess the integration of ESG factors in the investment process of **underlying managers**;
- Use its influence to engage with **underlying managers** to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

As part of the **Manager's** management of the Scheme's assets, the Trustee expects the **Manager** to:

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

- Ensure that (where appropriate) **underlying managers** exercise the trustee's voting rights in relation to the Scheme's assets; and
- Report to the trustee on stewardship activity by **underlying managers** as required.

The Trustee will engage with their **Manager** as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

Where voting is concerned we would expect our **underlying managers,** to recall stock lending procedures, as necessary, in order to carry out reflective voting actions.

The Trustee may engage with their **Manager**, who in turn is able to engage with **underlying managers**, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Arrangements with asset managers

The Trustee recognises that the arrangements with their **fiduciary manager**, and correspondingly the **underlying managers**, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that their **fiduciary manager** is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives at least quarterly reports and verbal updates from the **Manager** on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the **Manager** over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their **Manager**, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the **Manager** and requests that they review and confirm whether their approach is in alignment with the trustees' policies. The Trustee delegates the ongoing monitoring of **underlying managers** to the **Manager**. The **Manager** monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the **underlying managers** are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the **underlying managers:**

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new **fiduciary manager**, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with their policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment. The Trustee believes that having appropriate governing documentation, setting clear expectations to the **fiduciary manager**, and regular monitoring of the **fiduciary manager's** performance and investment strategy, is sufficient to incentivise the **fiduciary manager** to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the **fiduciary manager** is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the **fiduciary manager** but could ultimately replace the **fiduciary manager** where this is deemed necessary.

There is typically no set duration for arrangements with the **fiduciary manager**, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the **underlying managers** that the **Manager** invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Monitoring:

The Trustee is aware of the importance of monitoring the **fiduciary manager's** total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustee receives annual cost transparency reports from **the Manager**. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Scheme;
- the fees paid to **the Manager**;
- the fees paid to the **underlying managers** appointed by **the Manager**;
- the amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by **the Manager**;
- the Trustees defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers appointed by **the Manager**;
- any charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the **underlying managers** appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by **the Manager** in two key cost areas:

- the ability of **the Manager** to negotiate reduced annual management charges with the appointed **underlying managers**;
- the ability of **the Manager** to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the **underlying managers** and achieve efficiencies where possible.

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective.

The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the Manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

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.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. The Trustee has established the following decision making structure:

<table>
<tr><td colspan="2">Trustees
▪ Set structures and processes for carrying out their role.
▪ Select and review the Scheme's Investment Objective
▪ Review actual returns versus the Scheme's investment objective
▪ Select and monitor the investment advisers and the Manager.
▪ Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated)
▪ Approve this document</td></tr>
<tr><td>Investment Adviser
▪ Advise on appropriateness of service provided by the Manager
▪ Advise on investment strategy
▪ Advise on the investment liability benchmark
▪ Review the Statement of Investment Principles
▪ Carry out further project work when required</td><td>The Manager
▪ Set the strategy for investing in different asset classes in line with the investment objective.
▪ Determine strategy for selecting fund managers.
▪ Implement the investment strategy
▪ Select and appoint investment managers.
▪ Monitor investment managers
▪ Adjust asset allocations to reflect medium term market expectations
▪ Report on asset performance against the liability benchmark.
▪ Report on asset returns against objectives.
▪ Communicate any significant changes to the investment arrangements</td></tr>
</table>

Other Governance Issues

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

The Trustee expects the Manager to handle the assets delegated to them under the terms of the contract and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee has appointed BNYMellon as the Scheme's custodian. The custodian provides safekeeping for all of the Scheme's assets and performs the administrative duties including the collection of interest and dividends and dealing with corporate actions.

Document Maintenance

The Trustee will review this SIP at least every three years and immediately 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.

Signed on behalf of the Graphic Packaging UK Pension Trustee Company Limited:

Signed ....

Trustee ...BG ANKERHOLZ...

Effective Date ...6/7/20...

Appendix A

The flight plan has been set for the Scheme on the basis that the investment objective is reduced at each trigger point so that (allowing for transaction costs) the remaining assets, (together with any agreed contributions) continue to be expected to reach the Trustee's long-term funding objective of being 100% funded on their self-sufficiency measure of the liabilities.

The trigger points in this flight plan will be reviewed from time to time as the Scheme's assets and liabilities develop.

Investment Objectives in excess of Liability Benchmark (% pa)	Funding Trigger Level based on self-sufficiency measure of the liabilities (%)
2.00	<90
1.75	90
1.50	94
1.25	97
1.00	99
0.50	100

The funding level will be calculated based on a self-sufficiency measure of the liabilities calculated using a Gilts + 0.0% pa measure of the liabilities. Other assumptions will be determined by the Trustees in conjunction with their Scheme Actuary.