

Annual Implementation Statement

Swan Mill Paper Company Limited Retirement Benefits Plan

Report to 31 March 2021

Introduction

This statement sets out how and the extent to which, in the opinion of the Trustees of the Swan Mill Paper Company Limited Retirement Benefits Plan (“the Plan”), the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 31 March 2021. This statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2018 and guidance published by the Pensions Regulator.

On 20 November 2020, the Trustees agreed to transfer the remaining DC Section assets to the L&G WorkSave Pension Master Trust (“L&G Master Trust”). Comments within this Statement in respect of the DC Section relate to the period up to the point of transfer.

Investment Objectives of the Plan

Defined Benefit Section (“DB Section”)

The Trustees’ objective is to invest the Plan’s assets in the best interest of the members and beneficiaries.

To guide them in their strategic management of the assets and control of various risks to which the Plan is exposed, the Trustees (in consultation with the Company) have adopted the following objectives:

- To make sure that the Plan can meet its obligations to the beneficiaries of the Plan.
- To pay due regard to the Company’s interests on the size, stability and incidence of the Company’s contribution payments.
- To achieve a real return (i.e. in excess of inflation) on investments, expected at least to exceed the Scheme Actuary’s assumptions over the long term.

Defined Contribution Section (“DC Section”)

The Trustee’s objectives are:

- Positive long-term real rates of return
- Increasing protection for members’ accumulated assets in the years approaching retirement against:
 - a) Sudden (downward) volatility in the capital value;
 - b) Fluctuations in the cost of taking retirement benefits in the member’s chosen form.

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Review of the SIP

During the year to 31 March 2021 the Trustees reviewed the Plan's SIP and a revised SIP was signed in September 2020. The SIP was updated to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustees' policies in the SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The information provided in the table below summarises the work undertaken by the Trustees during the year (or over a longer term where relevant) and sets out how this work has followed the Trustees' policies in the SIP. The Trustees consider that they have generally adhered to all of the policies as set out in the SIP over the course of the year.

Due to the transfer of the remaining DC Section assets to the L&G Master Trust, from a DC perspective this statement will focus on detailing how the Trustees complied with the SIP requirements during the year to 20 November 2020 (i.e. prior to the transfer).

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	SIP content requirement	Summary of Trustee's policy / key extracts from SIP	Summary description and evaluation of work undertaken in the year to 31 March 2021
1	Securing compliance with the legal requirements about choosing investments	<p>Both Sections <i>The Trustees are responsible for how the Plan's assets are invested. It takes advice from the Investment Consultant in considering its investments.</i></p> <p><i>SIP section 2</i></p>	<p>Both Sections During the year the Trustees reviewed the Plan's SIP in September 2020. The revision related to the new requirements for the SIP to include the Trustees' policy in relation to their arrangements with their asset managers.</p> <p>The SIP was updated to comply with the new requirements in relation to their arrangements with their asset managers. A new section was added which covers investment manager arrangements:</p> <ul style="list-style-type: none"> • Aligning manager appointments with investment strategy; • Evaluating investment manager performance; • Portfolio turnover costs. <p>DC Section No changes have been made to fund choices or the default strategies in the period from 1 April 2020 to the date of Transition. The Trustees believe that these choices remained appropriate and aligned with the SIP.</p>
2	Kinds of investments to be held	<p>DB Section <i>The Trustees' objectives are as follows:</i></p> <p><i>(i) To make sure that the Plan can meet its obligations to the beneficiaries of the Plan.</i></p> <p><i>(ii) To pay due regard to the Company's interests on the size, stability and incidence of the Company's contribution payments.</i></p> <p><i>(iii) To achieve a real return (i.e. in excess of inflation) on investments, expected at least to exceed the</i></p>	<p>DB Section The Trustees monitored its investment strategy over the Plan Year and continue to operate a funding level trigger framework, in order to reduce the volatility of the Plan's funding position as and when it reaches a sufficiently high level.</p> <p>DC Section The Trustees had provided members with a default investment option for those who did not wish to implement their own investment strategy.</p> <p>Over the year, the Trustees regularly received investment performance reports Standard Life to monitor the investment performance of the funds within the lifestyle strategies and the self-select funds, looking at the funds' performances against their benchmarks over both short and longer-term periods.</p>

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		<p><i>Scheme Actuary's assumptions over the long term.</i></p> <p><i>SIP section 3</i></p> <p>DC Section <i>The Trustees' principal objective was to offer members reasonable choice over how funds were invested on their behalf so that they can tailor their choice to suit their own objectives and circumstances.</i></p> <p><i>SIP section 3</i></p>	
3	The balance between different kinds of investments	<p>DB Section <i>The Trustees will consider the allocation of the assets [shown in Section 4.1 of the SIP] from time-to-time. If allocations breach the ±5% range, the Trustees will rebalance back to the growth/matching benchmark, subject to consultation with their advisors.</i></p> <p><i>SIP section 4</i></p> <p>DC Section <i>Each member was free to choose their own investment strategy in accordance with their individual objectives, through appropriate</i></p>	<p>DB Section The Trustees monitored the investment strategy over the Plan Year, with support from its investment consultant Mercer. No rebalancing activity was required over the year.</p> <p>DC Section The Trustees regularly received investment performance reports from Standard Life which monitored returns of the investment options available within the Plan.</p>

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		<p><i>selection of the funds made available by the Trustees.</i></p> <p><i>The Trustees also provided a default investment option where members did not select their own funds [shown in Section 6 of the SIP].</i></p> <p><i>SIP section 5</i></p>	
4	Risks, including the ways in which risks are to be measured and managed	<p>Both Sections</p> <p><i>There are various risks to which any pension Plan is exposed. The Trustees have considered separately the risks to which each section of the Plan is exposed, and has formulated the following policies on risk management [a list of risks is included in the SIP].</i></p> <p><i>SIP section 7 (DB)</i> <i>SIP section 4 (DC)</i></p>	<p>DB Section</p> <p>The Trustees considered both quantitative and qualitative measures periodically throughout the Plan year as part of its risk monitoring and management framework. These include quarterly investment performance reports from the managers.</p> <p>DC Section</p> <p>The Trustees regularly received investment performance reports from Standard Life to assess whether the funds offered to members had met their targets.</p> <p>Both Sections</p> <p>The Trustees maintain a risk register which includes investment risks. This enables the Trustees to continue to review and manage the risks which the Plan faces.</p>
5	Expected return on investments	<p>DB Section</p> <p><i>The Trustees expect the Defined Benefit Section to generate returns, over the long term, above that which would have been achieved had no investment risk been taken within the portfolio.</i></p>	<p>DB Section</p> <p>On a quarterly basis, the Trustees review the investment performance reports from the managers detailing how each investment manager has delivered against their specific objectives.</p> <p>Over the year to 31 March 2021, the Trustee's total portfolio return was 2.0% on a net of fees basis. This meant that the Plan's investment return outperformed the reference benchmark which returned 0.9% over the same period.</p>

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		<p><i>SIP section 5</i></p> <p>DC Section <i>The Trustees offered members a range of funds with different expected risk and return levels, in order to allow individuals to tailor their choices to suit their own objectives and personal circumstances. [Expectations for the default investment option are detailed in Section 6].</i></p> <p><i>SIP section 8</i></p>	<p>DC Section Investment performance was reviewed periodically by the Trustees– this included the risk and return characteristics of the default and additional investment fund choices. The Trustees were satisfied that the DC Section investment asset classes continued to meet their investment objectives.</p>
6	Realisation of investments	<p>Both Sections <i>The Trustees have delegated the responsibility for buying and selling investments to the investment managers who have agreed not to exceed the Trustee’s investment powers as set out in the trust deed.</i></p> <p><i>SIP section 9 (DB)</i> <i>SIP section 10 (DC)</i></p>	<p>DB Section Investment decision making is delegated to the investment managers. As noted above, the benchmark allocations in place mean that any cashflows are managed with this in mind.</p> <p>DC Section Member assets were invested in daily dealt and daily priced pooled funds.</p> <p>The Trustees received an administration report on a regular basis to monitor whether financial transactions were processed within the service level agreement and regulatory timelines. The service level agreement covered the accuracy and timeliness of all core financial transactions performed by the DC Section’s administrator. The Trustees did not identify or raise any material issues during the Plan Year.</p>

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<p>7</p>	<p>Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments</p>	<p>Both Sections <i>The Trustees believe that ESG factors 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 Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration.</i></p> <p><i>SIP section 8 (DB)</i> <i>SIP section 13 (DC)</i></p>	<p>DB Section The Plan’s SIP includes the Trustees’ policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. During the selection and appointment of any new manager the Trustees would consider the ESG rating of the manager, their policies, and capacity to implement their responsible investment approach.</p> <p>The Plan’s investment consultant also monitors and rates the managers from an ESG perspective on an ongoing basis and will raise any potential issues (e.g. a fall in rating) with the Trustees.</p> <p>DC Section The investment performance report was reviewed by the Trustees on a regular basis and it is documented. Where managers may not be highly rated from an ESG perspective the Trustees continued to monitor them.</p> <p>When implementing a new manager they would consider the ESG rating of the manager. The Trustees acknowledged that fixed income managers did not have high ESG ratings assigned to them by the Investment Consultant due to the nature of the asset class (it is harder to engage with the issuers of debt).</p>
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<p>8</p>	<p>The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments</p>	<p>Both Sections <i>The Trustees have given the appointed Managers full discretion in evaluating ESG factors, including climate change considerations, and the exercising of voting rights and stewardship obligations attached to the investments.</i></p> <p><i>SIP section 8 (DB)</i> <i>SIP section 13 (DC)</i></p>	<p>DB Section As noted above, the investment performance reports from the Managers are reviewed by the Trustees on a quarterly basis.</p> <p>As noted above, the ESG capabilities of any prospective or existing investment managers would form part of the considerations for any selection process or review of the existing arrangements.</p> <p>DC Section There were no changes during the year to this policy.</p>
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9	The exercise of the rights (including voting rights) attaching to the investments	<p>Both Sections <i>The Trustees can regularly review the decisions made by the Managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best medium to long-term performance.</i></p> <p><i>SIP section 8 (DB)</i> <i>SIP section 13 (DC)</i></p>	<p>Both Sections All voting activity is delegated to the investment managers. See the Appendix for summary details.</p>
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the trustees would monitor and	<p>Both Sections <i>The Trustees will also consider the Investment Advisor’s assessment of how the Managers embed ESG into their investment processes and how the Managers’ responsible investment philosophies align with the Trustees’</i></p>	<p>Both Sections All engagement activity is delegated to the investment managers. See the Appendix for summary details.</p> <p>DC Section The Trustees had delegated their voting rights to the investment managers.</p> <p>The investment managers were expected to provide voting summary reporting on a regular basis, at least annually.</p>

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	engage with relevant persons about relevant matters)	<p><i>responsible investment policy. This includes the Managers' policies on voting and engagement. The Trustees will use this assessment to inform decisions around selection, retention and realisation of manager appointments.</i></p> <p><i>SIP section 8 (DB)</i> <i>SIP section 13 (DC)</i></p>	<p>Over the period, the Trustees had equity exposure through the following Standard Life Aberdeen funds:</p> <ul style="list-style-type: none"> • UK Equity Pension Fund • Overseas Equity Pension Fund • Stock Exchange Pension Fund • At Retirement (Multi Asset Universal) Pension Fund • Annuity Targeting Pension Fund • Money Market Pension Fund
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub-paragraph (b) of the legislation [Parts 2-8 of this Statement]	<p>Both Sections</p> <p><i>Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest.</i></p> <p><i>SIP section 6 (DB)</i> <i>SIP section 11 (DC)</i></p>	<p>DB Section</p> <p>Over the Plan Year, the Trustees have monitored the ongoing suitability of the appointed investment managers. Any change in assessment by the Trustee's investment advisor for an investment manager's capabilities would be discussed and any action agreed in a timely manner.</p> <p>The Trustees believe that the appointment of its investment manager is consistent with its long-term objectives and no changes were made over the Plan Year.</p> <p>DC Section</p> <p>As the Trustees invested in exclusively pooled investment funds, they accept that they cannot specify the risk profile and return targets for these funds.</p> <p>Over this period, the Trustees remained satisfied that the contractual arrangement in place with Standard Life Aberdeen remained appropriate.</p>
12	How the arrangement incentivises the asset manager to make decisions	<p>Both Sections</p> <p><i>The investment managers are aware that their continued appointment is based on their success in delivering the</i></p>	<p>Both Sections</p> <p>The investments held within both the DB and DC sections continued to perform satisfactorily against their respective benchmarks over the Plan Year. As such, no changes were made to the arrangements. The Trustees also balance short term performance against long term performance in these considerations.</p>

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	<p>based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.</p>	<p><i>mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.</i></p> <p><i>SIP section 6 (DB)</i> <i>SIP section 11 (DC)</i></p>	
13	<p>How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in sub-paragraph (b) of the legislation [2-8 of this Statement]</p>	<p>Both Sections <i>The Trustees' focus is on long-term performance but may review a manager's appointment if:</i> <i>(i) There are sustained periods of underperformance</i> <i>(ii) There is a change in the portfolio manager;</i> <i>(iii) There is a change in the underlying objectives of the investment manager;</i> <i>(iv) There is a significant change to the Investment Advisor's rating of the manager.</i></p> <p><i>SIP section 6 (DB)</i> <i>SIP section 11 (DC)</i></p>	<p>DB Section The Trustees focus on longer-term performance metrics when assessing managers e.g. 3-year and 5-year rolling periods.</p> <p>The investment manager is remunerated by way of a fee, calculated as a percentage of assets under management.</p> <p>If the Trustees were not satisfied with the performance of any investment manager, this would be discussed and action would be taken where this was deemed appropriate.</p> <p>DC Section The Trustees focused on performance and risk metrics as part of their monitoring of the pooled funds in which the Plan invested.</p> <p>The investment managers were remunerated by way of a fee calculated as a percentage of assets under management, and did not use short term performance targets. The Trustees benchmarked these fees against similar funds from other managers.</p>
14	<p>How the Trustees monitor</p>	<p>DB Section <i>The Trustees receive some MiFID II</i></p>	<p>DB Section The Trustees do not currently monitor portfolio turnover costs but may look to do this in the future.</p>

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	<p>portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.</p>	<p><i>reporting from their investment managers and investment consultant (where applicable) but do not actively monitor portfolio turnover costs.</i></p> <p><i>SIP section 6</i></p> <p>DC Section <i>In relation to DC assets, the Trustees consider portfolio turnover costs as part of the annual value for money assessment.</i></p> <p><i>SIP section 12</i></p>	<p>DC Section The Trustees previously considered portfolio turnover costs indirectly through consideration of transaction cost data, when available, as part of the annual Value for Members Assessment. Though the Trustees did not define target portfolio turnover ranges for funds, they would engage with the managers if the portfolio turnover was higher than expected as a result of the monitoring undertaken.</p>
15	<p>The duration of the arrangement with the asset manager</p>	<p>DB Section <i>The Trustees are long-term investors and are not looking to change the Plan's investment arrangements on a frequent basis. As all the investments are made via open-ended funds, there is no set duration for the manager appointments. The Trustees will therefore retain an investment manager unless:</i></p> <p><i>(i) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;</i></p>	<p>DB Section No new manager appointments or terminations were made over the period. The Trustees are satisfied that the duration of the Plan's arrangements remain appropriate and they continue to monitor this periodically.</p>

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		<p><i>(ii) The basis on which the manager was appointed changes materially (e.g. manager fees or investment process);</i></p> <p><i>(iii) The manager appointment has been reviewed in line with SIP policies 6.6 to 6.8 and the Trustees have decided to terminate the mandate.</i></p> <p><i>SIP section 6</i></p> <p>DC Section <i>In relation to DC assets, all the funds were open-ended with no set end date for the arrangements. The fund range and default investment option were reviewed on at least a triennial basis. A manager's appointment may be terminated if it was no longer considered to be optimal nor have a place in the default investment option or general fund range.</i></p> <p><i>SIP section 12</i></p>	<p>DC Section No changes were made to the arrangements with the investment managers over the Plan Year.</p>
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APPENDIX

Voting Activity

Voting activity information from each of the underlying investment managers (where provided) over the prior 12 months to 31 March 2021 is summarised in the table below. Where fund managers have not been included this is due to not being able to supply voting information at the time of finalising this report.

The Trustees have delegated their voting rights to their investment managers in their capacity as sole manager of the Plan's voting assets (equities).

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

Voting results, sourced from Baillie Gifford for the DB section and Standard Life Aberdeen (up to the date of transition) for the DC section covering the year to 31 March 2021 are shown below. Percentages may not sum to 100% due to rounding.

DB Section

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
Baillie Gifford UK Equity Alpha Fund	605	100.0%	98.5%	1.0%	0.5%
Baillie Gifford Developed Asia Pacific Fund	468	100.0%	96.4%	1.3%	2.4%
Baillie Gifford American Fund	346	100.0%	96.2%	3.2%	0.6%
Baillie Gifford Multi Asset Growth Fund	749	97.7%	92.6%	7.0%	1.5%
Baillie Gifford European Fund	809	90.6%	96.6%	2.9%	0.6%

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Examples of Significant Votes (DB Section)

Fund	Company	How you voted	Rationale for the voting decision
Baillie Gifford UK Equity Alpha Fund	Standard Chartered	Against Management	The vote against management was driven by opposition to the remuneration report which entailed the continued use of fixed pay allowances. This was deemed to be poor practice.
Baillie Gifford Developed Asia Pacific Fund	Galaxy Entertainment Group	Against Management	Two resolutions which sought authority to issue equity were opposed because the potential dilution levels were not in the interests of shareholders.
Baillie Gifford American Fund	Tesla Inc	With Management	Supported a shareholder proposal to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard. This change was supported as was believed to be in shareholders' best interests.
Baillie Gifford Multi Asset Growth Fund	COVIVIO SA	Against Management	Voted against five resolutions regarding the in-flight and proposed long-term incentive scheme because it could lead to rewarding under-performance.
Baillie Gifford European Fund	Just Eat Takeaway.com	Against Management	Opposed the new remuneration policy for incoming Grubhub CEO Matthew Maloney due to concerns around the structure of the long term incentive and severance plans.

DC Section

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
Standard Life At Retirement (Multi Asset Univ) Pension Fund	7,392	95.9%	93.8%	6.2%	2.4%

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Standard Life Stock Exchange Pension Fund	5,258	98.0%	94.4%	5.6%	2.2%
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Voting statistics cover period 1 April 2020 to 31 March 2021

Voting data from 1 April 2020 to date of transition to MasterTrust on 20 November 2020 is unavailable at time of writing.

No examples of significant votes undertaken by Standard Life were provided for the 12 months to 31 March 2021.

**The Trustees of the Swan Mill Paper Company Limited Retirement Benefits Plan
September 2021**