

Koenig & Bauer (UK) Pension Scheme

Statement of Investment Principles by the Trustees

1. Background

This Investment Statement sets down the principles governing decisions about investments for the Koenig & Bauer (UK) Pension Scheme (formerly the KBA (UK) Pension Scheme) to meet the requirements of the Pensions Act 1995 and subsequent legislation. Before preparing it, we have consulted Koenig & Bauer (UK) Ltd, the principal employer, and considered written professional advice from our investment consultants. We will review this Statement at least once every three years, or more frequently, if required. This Statement supersedes all previous versions. Our investment responsibilities are governed by the Scheme's Trust Deed; a copy of which is available for inspection on request to the Trustees.

2. Defined Benefit Section

2.1 Process for Choosing Investments

The process for choosing investments is as follows:

- to identify appropriate investment objectives;
- to agree the approximate level of risk consistent with meeting the objectives set;
- to construct a portfolio of investments that is expected to maximise the return (net of all costs) whilst considering the targeted level of risk.

In considering the appropriate investments for the Scheme the Trustees have obtained and considered the written advice of their investment consultants. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.2. Investment Policy

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. The Trustees' primary objectives are as follows:

- to make sure that the assets can meet the obligations to the beneficiaries of the Scheme; and
- to pay due regard to Koenig & Bauer (UK) Ltd's interests in the amount, stability and incidence of the employer's contribution payments.

The Trustees try to achieve these aims by seeking to maximise the overall return on the Scheme's assets, whilst maintaining a prudent and balanced investment exposure.

2.3. Risk Management and Measurement

There are various risks to which any pension plan is exposed. The Trustees' policy on risk management is as follows:

- the primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities. The Scheme's liabilities are sensitive to changes in interest rates, inflation expectations and credit spreads; as such the assets are invested to reflect these sensitivities, to manage this mismatch risk;
- the Trustees recognise 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 Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position. Consequently, the Trustees have considered carefully the implications of adopting different levels of risk;
- the Trustees recognise the risks that may arise from a lack of diversification of investments. Based on the principle of managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation policy results in an adequate diversification. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles;
- the Trustees recognise the exchange rate risk associated with investments in unhedged overseas investments;
- the Trustees have adopted an investment strategy that makes due allowance for the need for liquidity of the Scheme's assets. We are satisfied that the Scheme's assets are in securities and other investments which are readily marketable should the need arise;
- the Trustees regularly monitor the Scheme's assets to check the continuing suitability of the current investments;
- the safe custody of the Scheme's assets is delegated securely via the use of pooled vehicles;
- the Trustees recognise that Environmental, Social and Governance risks (including but not limited to climate change) are considered to be financially material. Further information is set out in Section 7;
- should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

2.4 Investment Strategy

The Trustees determine investment strategy following consultation with the Company by taking into account the Scheme's liability profile, the funding position, their assessment of the strength of the covenant of the Company and the Trustees' risk/return objectives.

The Scheme Actuary has advised us that the results of the 5 April 2023 triennial actuarial valuation indicated that the assets of the Scheme covered its benefit liabilities by 120% on a valuation basis intended to estimate the cost of securing benefits with an insurance company, albeit that the true cost can only be known by approaching insurers.

Our investment policy is to broadly match the Scheme's benefit liabilities by appropriate asset classes. Following consultation with the Company, we consider that the benefit liabilities should be matched by insured annuities and bond investments. We consider our investment policy will best deliver our aim of seeking to maximise overall return consistent with an appropriate degree of investment risk taking into account the solvency position of the Scheme.

Based on this investment policy we have determined a current target strategic asset allocation of 100% of assets invested in medium and long-dated bonds inclusive of a small cash on deposit holding for liquidity purposes.

The target asset class allocation has been changed from that set out in our previous Statement by switching from the funds invested in return-seeking assets to 100% of assets invested in medium and long-dated bonds. The Trustees will keep their target asset class allocation under review taking into account the development of the Scheme's solvency position.

2.5 Day to Day Management of the Assets

To implement our strategic asset allocation the Trustees delegate day-to-day investment decisions to M&G Investment Management Limited, a wholly owned subsidiary of Prudential Pensions Limited ('M&G Investments Pooled Pensions') who manage the invested assets of the Scheme in pooled fund vehicles which are unitised and invested in quoted securities. All units are redeemable at bid prices calculated from Stock Exchange prices. Prudential Pensions Limited is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA). Our contracts with the manager are evidenced by a policy of assurance.

In addition the Trustees hold cash invested on deposit with a reputable banking institution at a competitive rate of interest for working capital purposes.

Additional Voluntary Contributions are separately invested with insurance companies or approved providers using the appropriate contract for the members concerned, or in the funds available for investment under the Scheme's Defined Contribution Section.

The funds in which we currently invest the assets backing the Defined Benefit Section liabilities with target benchmark allocations and performance objectives are as follows:

Fund	% of invested assets	Benchmark	Performance objective
Long Dated Corporate Bond Fund	99.0	iBoxx Sterling Over 15 Years Non-Gilts Index	Benchmark return plus 0.8% p.a. gross of fees over rolling 3 year periods
Cash on Deposit	1.0	Sterling Overnight Index Average (SONIA) 1 Week	Benchmark return

Defined Contribution Section

3.1 Investment Objectives and Risk

For investment of the Defined Contribution Section of the Scheme the Trustees recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

3.2 Investment Objective

The Trustees' investment objective is to make available a suitable range of pooled investment vehicles to enable members to make adequate provision for their retirement and to control the risks as they see them.

3.3 Risk

The Trustees have taken into consideration on behalf of the members, the following aspects of risk:

- the risk that investment returns might not, over a member's working life, secure an adequate pension;
- the risk, that during the period preceding retirement, a change in investment market conditions might lead to a reduction in anticipated benefit;
- the risk that the performance of the investment vehicles offered falls short of expectations.

3.4 The Investment Options

The Trustees offer the members a range of investment fund options in unitised pooled funds managed by M&G Investment Management Limited, a wholly owned subsidiary of Prudential Pensions Limited ('M&G Investments Pooled Pensions'). All units of the pooled funds are redeemable at bid prices. Prudential Pensions Limited is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA). Our contracts with the manager are evidenced by policies of assurance.

The fund range includes passively managed funds designed to replicate UK and Overseas equity and bond market indices and an actively managed fund which invests in a broad range of diversified asset classes as described below.

The fund choices from **M&G Investments Pooled Pensions** are as follows:

Long-Term Growth Index Fund

Invests in UK and Overseas equities passively managed with a disposition of approximately 35% UK and 65% Overseas. The Overseas disposition is determined by the economic importance of each region and is currently approximately:

US:	17.0%
Europe:	15.0%
Pacific Basin ex-Japan:	17.0%
Japan:	7.5%
Emerging Markets:	6.0%
China	2.5%

As each portion of the Fund is passively managed, the investment return will reflect that achieved by the local market index.

The Long-Term Growth Index Fund is specifically designed for investment for members for long term investment to benefit from the higher growth opportunities that equity investments offer over the long term. It benefits from a low annual management charge and diversification across and within individual markets and market sectors. Because the Fund invests entirely in equities, its value is likely to go down as well as up over periods which may last a number of years.

Episode Allocation Fund

Invests in a range of asset classes to spread investment risk and reduce the volatility of returns. The fund targets combined income and capital growth of at least 5% a year above a cash on deposit return. The fund has a very flexible investment approach with the freedom to invest in different types of assets. The fund will invest in derivatives.

The fund has typical exposure limits in asset classes as follows:

Developed and Emerging Market equities and convertibles	20% - 60%
Bonds and cash instruments	30% - 75%
Other assets	0%-20%

Long Term Bond Fund

Invests wholly in bonds, 50% in UK Government long dated bonds (gilts) and 50% in high quality long dated corporate bonds. The gilts are passively managed and the corporate bonds are actively managed.

The Long Term Bond Fund is suitable for members nearing retirement. The Fund is designed to protect the value of the member's personal account in the period prior to securing an annuity at retirement.

Cash Fund

Invests in short term cash deposits and instruments, short term UK government bonds and bills and Certificates of Deposit.

The Cash Fund may be suitable in the period immediately prior to retirement, perhaps in conjunction with the Long Term Bond Fund, particularly for members who wish to take part of their personal account as a cash lump sum on retirement.

The fund options apply to basic contributions as well as additional matched contributions and additional voluntary contributions for members of both the Defined Contribution Section and the Defined Benefit Section. The Trustees believe that this range of fund options is suitable for meeting the investment objective and risk considerations outlined in paragraph 3.3.

The fund range has been designed to offer choices to suit members at different stages in their working lifetimes. Switches between funds may be made to suit changing requirements. Up to 2 fund switches are permitted each year.

Lifestyle Options

For members who do not wish to self-select their fund choices, the Lifestyle options operate as the default and apply if members do not make specific fund choices. The Lifestyle options have been designed to be suitable to members' investment requirements and objectives throughout the different stages of their working lifetimes.

There are two Lifestyle options:

- the **Default Lifestyle Option** is designed for members who wish to secure a guaranteed level of pension at retirement by purchasing an annuity from an insurance company;
- the **Alternative Lifestyle Option** is designed for members who are attracted to flexible retirement benefits and who may wish to take cash lump sums and pension income on a variable basis during retirement to suit their financial requirements from time to time.

Both Lifestyle options are invested in the same way in the *Growth and Consolidation* phases, but follow different investment strategies in the Pre-Retirement phase.

- During the *Growth* phase of the working lifetime, the period up to 10 years preceding Selected Retirement Age, the member's personal account is invested in a growth-oriented strategy (*75% Long Term Growth Index Fund/ 25% Episode Allocation Fund*) with an emphasis on global equities and the aim of maximising the value of the member's personal account over this period.
- During the *Consolidation* phase, the period between 10 and 5 years preceding Selected Retirement Age, the member's personal account is progressively switched to be invested according to a balanced profile of equity and bond assets (*40% Long Term Growth Index Fund/ 30% Episode Allocation Fund/ 30% Long Term Bond Fund*).
- During the *Pre-Retirement* phase, in the 5 years preceding Selected Retirement Age:
 - for the *Default Lifestyle Option*, investment is progressively switched to a predominantly bond oriented profile (*75% Long Term Bond Fund/ 25% Cash Fund*) preparatory to the purchase of an annuity to provide a guaranteed income in retirement with the aim of stabilising the member's personal account to protect its pension purchasing power at retirement age;
 - for the *Alternative Lifestyle Option*, investment is maintained on the balanced basis of the Consolidation phase preparatory to the purchase of a personal pension for members who wish to continue to manage their pension fund in retirement and provide flexible cash and pension benefits by income drawdown to suit their circumstances from time to time.

Members may override the Lifestyle option at any time and choose a self-select investment strategy.

Selected Retirement Age

The Lifestyle option operates in conjunction with a Selected Retirement Age which in default is State Pension Age. Members may change their Selected Retirement Age at any 6 April Scheme renewal date.

4. **Buying and selling investments**

We have delegated the responsibility for buying and selling investments to the respective investment managers. The day-to-day activities which the investment managers carry out are governed by the agreements between us as evidenced by the policies of assurance issued, which are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

5. **Investment Management Fees**

The fees currently applicable to the main investment funds are:

Fund	Ratio Total Expense % p.a.
<i>Defined Benefit Section</i>	
M&G Investments Pooled Pensions Long Dated Corporate Bond Fund	0.32
<i>Defined Contribution Section</i>	
<i>M&G Investments Pooled Pensions</i>	
- Long Term Growth Index Fund	0.29
- Episode Allocation Fund	0.55
- Long Term Bond Fund	0.22
- Cash Fund	0.11

The investment management charges are subject to maxima which in certain cases could increase the current level of fees indicated above.

Additionally contractual maximum bid/offer spreads could apply.

6. **Investment Consultant Fees**

The fees charged by our investment consultants, Colin Mercer Actuarial Services, are according to a time/cost basis.

7. **Financially Material & Non-Financially Material Factors including Social, Environmental and Ethically Responsible Investment**

Financially material considerations, including Environmental, Social, and Corporate Governance ('ESG') considerations (including climate change) are considered by the Trustees.

The Trustees believe that ESG factors may have a material impact on investment risk and return outcomes, and seek to integrate ESG into their decision making and reporting processes. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given their investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercise of stewardship obligations attached to the Trustees' investments in accordance with current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

As the Trustees invest in pooled fund arrangements they have not set any investment restrictions on the appointed investment managers in relation to particular products or activities. However, with the assistance of the investment consultant, the Trustees monitor the activities of the investment managers in relation to ESG factors and risks, including engagement with investee firms and the exercise of voting rights.

The Trustees do not explicitly take into account any non-financial matters (for example the views of members of the Scheme) in the selection, retention and realisation of assets.

8. Illiquid Investments

The Trustees do not currently hold or have stated intentions of holding any illiquid investments on behalf of Defined Contribution Section members in the fund choices or default investment options. The funds in which the Trustees invest are pooled funds which are unitised and readily marketable.

9. Monitoring the Investment Managers

For the Defined Benefit Section, the Trustees measure the managers' performance according to the performance objective of each fund.

For the Defined Contribution Section, the funds available for investment are mainly passively managed and accordingly are measured against the appropriate market indices.

The Trustees monitor the managers' performance periodically at Trustee meetings.

The Trustees' investment policy is subject to periodic review at least annually or in the event of a significant change to the balance of liabilities of the Scheme.

Colin Mercer Actuarial Services are retained as investment consultants to assist the Trustees in fulfilling their responsibility for monitoring the investment managers.

10. Compliance with this Statement

We, the Trustees, the investment managers, and our investment consultants, (all of whom have been appointed by the Trustees) each have duties to perform to ensure compliance with this Statement. These are:

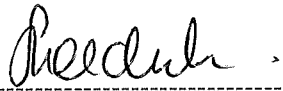
The Trustees will review this Statement at least every three years and the investment managers' performance and actions on a regular basis on the advice of our investment consultants and will regularly record compliance with it.

The investment managers will prepare quarterly reports to the Trustees including:

- a valuation of all investments held for the Scheme;
- records of all transactions together with a cash reconciliation;
- a review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy.

The investment managers will also notify us in advance of any new investment categories in which they are proposing to invest.

Our investment consultants will provide the advice needed to allow us to review and update this Statement at least every three years (or more frequently if required) and to review the performance and actions of the investment managers on a regular basis.



S L Thomson



P J Banks

On behalf of The Trustees of the Koenig & Bauer (UK) Pension Scheme

Date 8th October 2024