

Statement of Investment Principles (the “Statement”)

in respect of: the Maritime Transport Services Limited Retirement and Death Benefits Scheme (the “Scheme”)

adopted by the Trustee: 12 March 2021

G D Morrison

GD Morrison
Chairman

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This Statement is prepared by Maritime Transport Services Pension Trustee Limited (the "Trustee"), trustee of the Scheme, after consultation with Maritime Transport Services Limited (the "Employer") and having taken and considered appropriate financial advice.

Investment strategy

The Scheme's investments are as set out in Appendix A.

The investments are mostly passive index-tracking funds with BlackRock Investment Management (UK) Limited ("BlackRock"), via an insurance policy, and include allocations to various equity and bond funds.

The Trustee considers that such investments are satisfactory and appropriate to the circumstances of the Scheme and will seek confirmation from an appropriate investment adviser prior to approving any material change and in any event at least once every three years.

The assumed returns on the Scheme investments are set out in Appendix B.

The principal aim of the Trustee is to ensure that the assets of the Scheme are sufficient to meet the Scheme's liabilities as they fall due. In reviewing its investment strategy the Trustee will consider the long-term cash flows of the Scheme and the need to meet varying liabilities over time.

The principal risks for the Scheme are that the returns on the investments are not as assumed and that the Employer is unable to make good any deficit.

The Trustee, after consulting the Employer and having taken and considered appropriate financial advice, has adopted a long-term target portfolio of 20% return seeking assets and 80% liability matching assets to broadly match the liabilities of the Scheme at a time when the majority of Scheme members will be in retirement. The aim will be to adjust the investment portfolio over a period of time, linked to the speed at which members retire, towards this long-term target portfolio.

The Trustee will regularly assess the expected cash flow requirements of the Scheme such that sufficient liquidity is maintained to meet benefit payments as they fall due.

If Scheme investments have to be realised from time to time in order to meet liabilities, this will usually be done in a way that maintains the portfolio weightings at that time.

In view of the nature of the Scheme's investments, the Trustee has not established specific investment objectives beyond performance in line with the relevant benchmarks.

In considering Scheme funding the Trustee will review and, if appropriate, adjust its strategy having regard to the strength of the Employer covenant.

Given that all of the Scheme's investments are in passive index-tracking funds this restricts the ability of the managers to take active decisions on whether to hold securities based on the investment managers' consideration of Environmental, Social and Governance ("ESG") factors. The Trustee does however expect the incumbent managers, where relevant, to utilise their position to engage with companies on these matters.

The Scheme's AVC arrangements provide for benefits to be accrued on a money purchase basis with the value of the members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. The Trustee periodically reviews the AVC arrangements to ensure they remain appropriate.

The Trustee considers any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustee board meeting and documents these in the minutes.

Investment managers, Trustee governance and stewardship

The Trustee board consists of individuals with a range of skills, knowledge and experience who are able to challenge advice they receive and ensure that decisions are effective.

Trustee and Employer investment attitudes will be clearly communicated to investment managers and advisers.

In accordance with the Financial Services and Markets Act 2000, the Trustee does not take day-to-day investment decisions. The Trustee sets general investment policy, including the asset allocation, and delegates the responsibility for selection of specific securities within each asset class to an appointed investment manager or managers. The investment managers are expected to provide the skill and expertise necessary to manage the investments of the Scheme competently. The Trustee regularly reviews the performance of the Scheme's investments, and monitors asset values against the selected portfolio allocations. The Trustee board usually meets with the investment managers at least once each year.

The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee maintains processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk. As part of this process, the Trustee regularly reviews investment management fees against the agreed charges outlined in the investment manager agreements and records the costs relating to the passive index tracking funds. The Trustee relies on its Investment Consultant to provide the overall monitoring of the Scheme's investment managers. This method of monitoring and evaluation is in line with the Trustee's investment policies.

The Investment Management Agreement (IMA) sets out the charges relevant to each of the pooled funds held by the Trustee. Other than transaction charges which the Trustee monitors

and agreed investment management and administration charges there are no other charges incurred by the Trustee in respect of the pooled investments held. The IMA is an open ended agreement and reviewed from time to time and in the event of any changes being required.

The investment manager is not incentivised to align the investment strategy and any decisions relating to the pooled funds with the Trustee's investment policies. The Trustee expects the investment strategy and decisions to be appropriate for each pooled fund.

The investment manager makes decisions based on their engagement with the companies issuing the investments held by the pooled funds and will make their assessments of the performance of those companies over the medium and long term in line with their internal policies and practices. The investment manager is also expected to engage with those companies in relation to their capital structure and any potential or actual conflicts of interest, monitoring those companies as they feel appropriate. The Trustee does not incentivise the investment manager in relation to these decisions. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

By investing in passively managed pooled assets the Trustee accepts that turnover costs will be incurred by the investment manager to ensure that the investments held are in accordance with the strategy of each of the pooled funds. The Trustee receives an annual report on the funds' turnover costs. They expect these costs to be appropriate to the individual pooled fund.

The Trustees consider the fees and charges associated with each investment before investing.

The Trustee considers that, in addition to the performance of companies being invested in and interest and exchange rates, ESG factors, including climate change, could be financially material in impacting the long-term investment returns of the investments held by the Scheme over the Scheme's multi-decade time horizon.

By investing all of the Scheme's investments (other than the temporary holding in cash) in passive index tracking funds, the extent to which the selection, retention and realisation of investments take these financially material factors into account is left to the discretion of its investment managers. However, the Trustee expects that the extent to which ESG factors may have a fundamental impact on the portfolio will be taken into account by the investment managers in the performance of their delegated duties.

The investment managers for the passive index tracking funds has provided details of how ESG considerations are incorporated in their approaches to investment governance.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. Information in relation to the exercising of those rights is provided to the Trustee on a regular basis. The investment managers provide details of how they engage with companies issuing the investments held by the pooled funds and how they exercise their

voting rights in relation to those companies. Information in relation to the exercising of those rights is provided to the Trustee on a regular basis.

The Trustee has considered the extent to which it can take account of non-financial matters, including members' views relating to ESG investment issues. The Trustee's main objective is to ensure the financial security of members' benefits. Furthermore, in view of the passive index-tracking nature of the majority of the investments, the Trustee is generally not in a position to influence the investments selected by the investment manager. The Trustee has therefore not directly sought the views of members on such non-financial matters. Nevertheless, the Trustee will consider a prospective investment manager's approach to ESG factors as part of its decision whether or not to retain the investment manager.

The Trustee is aware of the Employer's policy in relation to ESG matters.

There is a risk that if ESG issues and climate change are not considered as part of the investment process this may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

The Trustee will record the risks of the Scheme in a risk register and review them at least once each year.

The Trustee will regularly consider compliance with best practice in respect of investment decisions and governance.

Information in respect of the Scheme's investments and advisers will be reported to members by way of the periodic Pensions Newsletter and Summary Funding Statement.

Appendix A – Investments – asset allocation

1. Total portfolio allocation

Asset class	Asset allocation benchmark (%)
Return seeking assets:	
UK equities	18.3
US equities - unhedged	3.3
US equities - hedged	10.0
European equities - unhedged	1.25
European equities - hedged	3.75
Japanese equities - unhedged	1.05
Japanese equities - hedged	3.15
Pacific Rim (ex Japan) equities - unhedged	1.25
Pacific Rim (ex Japan) equities - hedged	3.75
Emerging market equities	4.2
Cash	10.0
Total return seeking assets	60.0
Liability matching assets:	
Corporate bonds	8.0
UK fixed interest gilts	8.0
UK index linked gilts	8.0
UK index linked gilts (long-dated)	16.0
Total liability matching assets	40.0

The Trustee encashed its holding in the Standard Life Property Fund in March 2020 and is in the process of setting up a cash fund with BlackRock where the monies will be held pending a review of the wider investment strategy for the Scheme.

2. BlackRock portfolio allocation and benchmarks

Fund	Fund benchmark index	Benchmark allocation	Range (%)
Equities		% of BlackRock equity portfolio	
Aquila Life UK Equity Index Fund	FTSE All Share TR Index	36.60	+/- 2
Aquila Life US Equity Index Fund	FTSE United States in GBP	6.60	+/- 2
Aquila Life US Equity Index Fund GBP Hedged	FTSE Developed - United States Net TR 95% Hedged to GBP Index	20.00	+/- 2
Aquila Life European Equity Index Fund	FTSE All World Developed Europe (ex UK) NET of TAX Index in GBP	2.50	+/- 2
Aquila Life European Equity Index Fund GBP Hedged	FTSE All World Developed Europe Ex UK TR 95% Net Hedged to GBP Index	7.50	+/- 2
Aquila Life Japanese Equity Index Fund	FTSE All World Japan BGI NET of TAX Index in GBP	2.10	+/- 2
Aquila Life Japanese Equity Index Fund GBP Hedged	FTSE Developed - Japan 95% Net Hedged to GBP	6.30	+/- 2
Aquila Life Pacific Rim Equity Index Fund	FTSE All World Developed Asia Pacific (ex Japan) NET of TAX Index in GBP	2.50	+/- 2
Aquila Life Pacific Rim Equity Index Fund GBP Hedged	FTSE All World Developed Asia Pacific Ex Japan Index 95% Net Hedged to GBP Index	7.50	+/- 2
Aquila Emerging Markets Fund	S&P/IFCI Emerging Markets Composite ex-Malaysia Index in GBP	8.40	+/- 2
Total Equities		100.00	
Bonds		% of BlackRock bond portfolio	
Aquila Life All Stocks Corporate Bond Index Fund	iBoxx £ non-gilts index	20.0	+/- 2
Aquila Life All Stocks UK Gilt Index Fund	FTSE UK Conventional Gilts All Stocks Index	20.0	+/- 2
Aquila Life All Stocks UK Index-Linked Gilt Index Fund	FTSE UK Gilts Index-Linked All Stocks Index	20.0	+/- 2
Aquila Life Over 25 Year Index-Linked Gilts Index Fund	FTSE UK Gilts Index-Linked Over 25 Years Index	40.0	+/- 2
Total Bonds		100.0	

Notes:

- (a) The performance objective for each fund is to track the benchmark index.
- (b) BlackRock are authorised to rebalance the investments if the actual allocation exceeds the benchmark allocation by the range specified.
- (c) The Trustee may, if the circumstances are appropriate, suspend rebalancing.