The Steamship Insurance Management Services Limited Pension and Assurance Scheme

Statement of Investment Principles

March 2025

1.0 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004, for the Steamship Insurance Management Services Limited Pension and Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 as amended.

The Scheme Actuary is Will Rice of Barnett Waddingham, the Investment Adviser is SECOR Investment Advisors (UK), LLP (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Steamship Insurance Management Services Limited ('the Employers') and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ("FSMA"), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under FSMA and provide the expertise necessary to manage the investments of the Scheme competently.

Declaration

The Trustees confirm that this Statement of Investment Principles reflects the investment strategy they have implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed .... Date 19/3/25

For and on behalf of the Trustees of the Steamship Insurance Management Services Limited Pension and Assurance Scheme.

2.0 Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustees believe that they should be collectively involved in the investment decision-making and have therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustees shall consult the Employers before revising this SIP, unless the Employers have notified the Trustees that they need not be consulted.

3.0 Investment Objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following qualitative objectives:

1. The holding of suitable assets, having due regard to the risks set out in Section 8 of this statement, which will generate income and capital growth to pay, together with contributions from members and the Employers, the benefits which the Scheme provides as they fall due.

2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long-term having regard to any statutory funding requirement.

3. To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

In quantitative terms, the Trustees' long-term objective for the Scheme is to target an investment return objective of approximately 0.4% per annum (net of fees and costs) in excess of the Liability Benchmark Portfolio ("LBP") where the LBP is defined as the sterling interest rate swap curve.

The objectives of the Scheme are not framed relative to the performance of any other pension funds.

4.0 Investment Strategy

4.1 General approach

The Trustees' approach to investment strategy is to allocate the Total Fund into two components – an Investment Fund and a Liability Matching Fund. The investment objective determines the split between these components.

- Investment Fund – 'On-risk' assets, focused on return generation and taking risk in a controlled manner; such assets could include, but are not limited to, equities, investment grade bonds, high yield bonds, property, emerging market debt, commodities, private credit, and hedge funds.
- Liability Matching Fund – Segregated account consisting of interest rate and inflation swaps as well as cash held as collateral within a liquidity fund and a smaller amount of cash held for margin with the broker.
- Total Fund – composed of the Investment Fund and Liability Matching Fund in the proportion 85:15, over the long-term the return objective is LBP + 0.4% per annum. This is consistent with the long-term objective set out in section 3.0.

4.2 Liability hedging

The Trustees have decided to implement a hedge against interest rate and inflation risk equal in size to 100% of the value of the Scheme liability on a LBP + 0.4% p.a. basis (with no allowance for commutation of pension at retirement, but all other assumptions the same as those on the Scheme's Technical Provisions basis).

4.3 Liquidity

The Trustees have delegated the responsibility for buying and selling investments to the Investment Manager. The majority of the assets are to be held in asset classes that are sufficiently liquid to be realised easily if the Trustees so require. A small proportion of the assets can be held in illiquid investments such as private credit and hedge funds.

4.4 Diversification

The choice of asset classes should ensure that the Scheme's investments are adequately diversified. In practice this means that the Scheme's assets are invested in a range of assets including equities and fixed income. The Trustees monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

4.5 Balance between different kinds of investments

The Investment Managers are responsible for the allocation of the Scheme's assets between categories of investment. The allocation between different asset classes is set out at section 4.8 below and the Trustees' policy on rebalancing is at section 4.9 below.

The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

4.6 Currency hedging

The Trustees' policy is to target 100% of the Scheme's non-sterling Developed Market currency exposure to be hedged into sterling, subject to any practical implementation constraints. Emerging Market currency exposures are unhedged.

4.7 Suitability

The Trustees have taken advice from the Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustees' objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Scheme.

4.8 Asset allocation

The Trustees recognise the importance of asset allocation to the overall investment returns achieved. Reflecting the general policies set out above, having considered advice from the Advisers, and also having due consideration to the objectives, the Scheme's liability, the risks to the Scheme and the covenant of the Employers, the Trustees have decided upon the following asset allocation strategy.

Asset Class	Strategic Asset Allocation (%)
Investment Fund	**15**
Global Equities	5
Diversified Credit	10
Liability Matching Fund*	**85**

*It is the Trustees' intention to maintain at least £1m of this allocation in a liquidity fund.

Note that at the time of signing there was a c5% allocation to Private Credit which is expected to be liquidated in the first quarter of 2025.

4.9 Rebalancing

The Trustees, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme. The Trustees recognise that actual asset allocation may fluctuate depending on the performance of equity and bond markets. The Trustees have in a place a rebalancing policy, which will be assessed monthly and executed by a combination of the Investment Advisor and the Trustees on an as-needed basis.

5.0 Strategy Implementation

The Trustees have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers.

The Trustees have elected to adopt a passive strategy for the component of the portfolio dedicated purely to equities. The Trustees recognise that the use of a passive manager in relation to these assets will mean that the Scheme is not expected to out-perform the relevant benchmarks in these areas. A passive strategy will also result in lower investment management fees.

The Trustees have selected pooled funds for the investment of the Scheme's Investment Fund assets to achieve good diversification given the size of the assets invested for each mandate. A pooled fund is one where the Trustees, along with other investors, buy units in a larger pool of investments run by the Manager.

The Trustees have decided on a segregated account for the Liability Matching Fund assets. A segregated account allows for greater liquidity, more transparency, and adaptability compared to a pooled fund. The Trustees believe that a segregated account for the Liability Matching Fund is more aligned with the objectives of the Scheme.

5.1 Mandates and performance targets

The Trustees have received advice on the appropriateness of each Investment Manager's targets, benchmarks and risk tolerances from the Advisers and believe them to be suitable to meet the Scheme's investment principles.

5.3 Custody

The Trustees have arranged for custody of the Scheme's pooled Investment Fund assets via the Investment Managers while the assets within the Liability Matching Fund that are held in the Scheme's name are custodied at CACEIS.

5.4 Derivatives

The Trustees may enter into contracts with counterparties, including investment banks, in order to execute in derivative transactions. Derivative instruments are typically used for risk management purposes in the portfolio.

6.0 Monitoring

6.1 Investment Managers

The Trustees, or Advisers on behalf of the Trustees, will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustees, or the Advisers on behalf of the Trustees, will regularly review the activities of the Investment Managers to satisfy themselves that the Investment Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustees will consider whether or not the Investment Managers:

- Are carrying out their function competently.
- Have regard to the need for diversification of investments.
- Have regard to the suitability of each investment and each category of investment.
- Have been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, the Trustees will consider alternatives.

6.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

6.3 SIP

The Trustees will review this SIP at least every three years, or following any significant changes to the investment strategy, and modify it in consultation with the Advisers and the Employers if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Advisers as part of such a review.

7.0 Risks

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. These risks, and how they are measured and managed, include:

i. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

   a. A liability benchmark portfolio or 'LBP' is used as a proxy for the liabilities (as described in Section 3) to measure the approximate changes in the liabilities (due to changes to the relevant swap yields only). The Trustees monitor this change relative to the change in asset values on a quarterly basis. The LBP is reviewed following each actuarial review.

   b. The Trustees also recognise the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed through aiming for a higher overall investment return than implied by the liabilities.

   c. When setting and reviewing investment strategy, the Trustees examine how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LBP and can therefore be assessed as part of the quarterly review process.

   d. This risk is also monitored through regular actuarial and investment reviews.

ii. **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised using the following techniques:

   a. Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.

   b. The use of instruments and strategies designed to control the extent of downside exposure.

   c. The use of passive management for asset classes where the downside risk of active management is considered too high.

   d. Regular monitoring of the active managers' performance, processes and capabilities with respect to their mandate, and by use of more than one manager to avoid over exposure to one organisation.

iii. **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

iv. **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

v. **Mismanagement risk** – the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the Investment Managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustees.

vi. **Credit risk** – the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This is addressed through restrictions for the Investment Managers e.g. a minimum credit rating of the bonds they are allowed to buy and, where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

vii. **Cash flow risk** – addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.

viii. **Sponsor risk** – the risk of the Employers ceasing to exist which, for reasons of prudence, has been considered when setting the asset allocation strategy. The Trustees regularly review the covenant of the Employers.

ix. **ESG risk** – the risk of adverse performance due to Environmental, Social and Governance (ESG) related factors including climate change. This is addressed by the ESG assessment at the point of investment with the Investment Managers and as part of the ongoing Investment Manager monitoring process.

The Trustees will keep these risks, and how they are measured and managed, under regular review.

8.0 Other Issues

8.1 Statutory funding objective

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding objectives. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding objective.

8.2 Corporate Governance, Stewardship and Engagement

The Trustees have retained the use of voting (and other) rights attached to their mandates; however, the respective managers of the mandates retain responsibility for voting on their underlying holdings.

The Trustees request that their investment managers be active owners by exercising the rights attaching to their investments and engaging with debt and equity issuers and other relevant persons on relevant matters. Such matters include performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Investment Managers are reviewed annually by the Trustees and the Strategic Investment Advisor on their stewardship and engagement activities. If an Investment Manager is found to be falling short of the standards that the Trustees expect, the Trustees undertake to engage with the Investment Manager and seek a more sustainable position.

8.3 Financially material investment considerations

The “Risks” outlined in section 7 can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as “ESG”) where relevant. The Trustees delegate consideration of financially material factors to the Investment Managers, who consider these when constructing their portfolios. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long-term performance, by the Trustees as part of the Investment Manager selection criteria. This review occurs before Investment Managers are approved for investment in the portfolio. Once an Investment Manager is appointed, the Investment Advisor and Trustees will monitor the Investment Manager for ongoing compliance with the expected standards at appointment and with other factors, such as stewardship, as a part of overall governance and engagement.

8.4 Non-financial matters

The Trustees do not at present consider non-financial matters (such as members’ ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time, the Trustees have no plans to seek the views of the membership on ethical considerations.

9.0 Arrangements with Investment Managers

The Scheme invests with multiple Investment Managers for the implementation of its investment strategy, which provides mitigation of any single manager being misaligned. Each Investment Manager is chosen for a targeted asset class or market exposure within the Scheme's investment strategy and will follow specific investment and risk guidelines, including prescribed benchmarks and tracking error limits, thereby limiting the deviation from the Scheme's investment policy objectives.

The Investment Adviser conducts formal reviews of Investment Managers at least annually to ensure that their investment approach is robust, long-term focussed and sustainable. The Trustees inform Investment Managers of the Trustees' Stewardship and Engagement policy when they are first appointed and provide updates as required.

Performance is monitored and reported to the Trustees net of fees and on a regular basis. The Investment Adviser conducts a detailed assessment of each Investment Managers' performance and other factors at least annually. As part of this review, fees and charges are monitored in the context of the Investment Adviser's ongoing market evaluation of the price of fund management services. Investment Managers' fees are reported to the Trustees regularly.

Where relevant for a particular asset class or manager style, as part of their regular Investment Manager review process, the Investment Adviser monitors the levels of portfolio turnover and their associated costs and reports any anomalies to the Trustees. The Trustees do not have specific ranges for portfolio turnover and their associated costs but rely on the Investment Adviser to highlight if these costs and charges appear unreasonable when they are collected.

There is no policy on the length of arrangements with Investment Managers. A range of factors are considered when assessing an Investment Manager, including: people, process, performance, price and fit within the investment strategy. Where Investment Managers are considered to be making decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out, the Trustees will typically first engage with the manager but could ultimately replace the Investment Manager where this is deemed necessary.

Appendix A – Responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:

i. Setting the investment objectives of the Scheme and reviewing these from time to time.

ii. Setting an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers and the Employers.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

v. Assessing the performance and process of the Investment Managers in consultation with the Advisers.

vi. Appointing and dismissing the Investment Managers and custodians in consultation with the Advisers.

vii. Assessing the ongoing effectiveness of the Advisers.

viii. Consulting with the Employers when reviewing investment policy issues.

ix. Monitoring compliance of the investment arrangements within this SIP on an ongoing basis.

x. Advising the Advisers of any changes to Scheme benefits and significant changes in membership.

Investment Managers

The Investment Managers will be responsible for, among other things:

i. At their discretion, but within any guidelines agreed with by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

ii. Providing the Trustees with sufficient information to facilitate the review of its activities, including:

   a. A report of the strategy followed.

   b. The rationale behind past and future strategy.

   c. A full valuation of the assets and a performance summary.

   d. A transaction report and a cash reconciliation (if requested).

iii. Informing the Trustees immediately of:

   a. Any breach of this SIP that has come to their attention.

   b. Any serious breach of internal operating procedures.

c. Any material change in the knowledge and experience of those involved in managing the Scheme's investments.

d. Any breach of investment restrictions agreed between the Trustees and the Investment Managers from time to time.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustees in reviews of this SIP.

ii. Advising on the types of investments the Scheme will hold, the balance between different kinds of investments, risks (including the ways in which risks are to be measured and managed), the expected return on investments, and the realisation of investments;

iii. Implementing the investment strategy through the selection, and review, of the investment managers.

iv. Providing the Trustees with regular information concerning the management and performance of the Plan assets.

v. Advising the Trustees how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

vi. Advising the Trustees of any changes in the Scheme's Investment Managers that could affect the interests of the Scheme.

vii. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Scheme.

viii. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and the current Investment Managers, and selection of new managers, as appropriate.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.

ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iv. Advising the Trustees and Investment Adviser of any changes to contribution levels and funding level.