Contship Containerlines Limited 1979 Pension Scheme

Statement of Investment Principles

June 2024

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1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the Contship Containerlines Limited 1979 Pension Scheme (the "Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Investment and Disclosure)(Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted CP Ships (UK) Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The Trustees completed a bulk annuity insurance transaction with Legal and General Assurance Society ("LGAS" and "the insurer") on 17 June 2024 to secure the benefits of the Scheme.

1.6. The investment powers of the Trustees are set out in Clause 34 of the Definitive Trust Deed & Rules, dated 16 July 2001. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. Effective from 17 June 2024, the Trustees entered into a bulk annuity contract with LGAS, which is expected to match all defined benefits due to members of the Scheme. LGAS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2.3. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.4. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to invest in assets of appropriate liquidity to meet, together with the participating employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees secured a bulk annuity which covers the benefits due to all members, subject to final adjustments in due course.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives and annuity policies.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. The Trustees may not, except for such debentures, debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging the indebtedness which are listed on any recognised stock exchange of repute (inside or outside the United Kingdom) and except for deposits with any bank, local authority, building society or other financial institution of repute, make unsecured loans to any company or individual.

4.4. The Trustees may not use any of the Scheme's assets to

4.4.1. invest in (except indirectly through the medium of unit trusts, exempt funds, mutual funds or the like) the stock or share capital of any of the Employers;

4.4.2. underwrite, sub-underwrite or guarantee the subscription of any stock, shares, debentures, debenture stock, bearer securities or other investments issued or to be issued by any of the Employers;

4.4.3. purchase any contracts or policies issued or to be issued by any of the Employers;

4.4.4. enter into any sinking fund contract with any of the Employers;

4.4.5. make any loan to any of the Employers.

4.5. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Scheme holds a bulk annuity policy which is expected to meet benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in a liquidity fund with the Scheme's incumbent manager, Legal and General Investment Management ("LGIM").

5.3. The nature of the bulk annuity policy means that the insurer will meet cashflow requirements in respect of benefit payments. The Trustees expect any Scheme fees and other expenses (including any final benefit adjustments) to be met using the reserves held within the bank account and/or the liquidity holdings and, where relevant, contributions from the Employer.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The risk of the assets behaving differently from the Scheme's liabilities has largely been mitigated by purchasing an annuity policy that exactly matches the benefit payments due, subject to final adjustment in due course.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored by the Trustees.
Investment manager risk	The Trustees monitor the performance of their investment manager. The Trustees have a written agreement with their investment manager, which contains a number of restrictions on how they may operate. However, the Scheme's main asset is the annuity policy held with LGAS.
Governance risk	The Scheme's asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the manager's practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In relation to the bulk annuity policy, the Trustees are satisfied that the level of concentration is appropriate given the highly-regulated nature of the insurance market and the fact that the Trustees took professional advice on the financial strength of the insurer prior to investing in the policy.

Liquidity risk	Responsibility for providing the monies to pay member benefits lies with the insurer as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	Given the nature of the insurance contract (which is expected to meet the benefit entitlements of each of the Scheme's members, subject to final adjustment in due course) the main remaining risk for the Scheme following the transaction is the solvency of the insurer. The Trustees have carried out due diligence on the insurer prior to investing in the contract. The ongoing solvency and prudent management of the insurer is monitored within the regulatory regime for UK insurance companies.

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

7.5. The Trustees have chosen to invest in a bulk annuity policy with the intention of achieving returns in line with the movements in the value of the Scheme's liabilities. The expected income from the annuity contract will be that required to meet benefit payments (following any final adjustments). The Trustees' objective with any residual liquidity holding is for this to be relatively low-risk and highly liquid given its purpose within the Scheme's investment strategy.

8. Realisation of investments

8.1. The Scheme's main investment is an annuity policy which is not readily realisable but is structured so as to pay benefits to members as they fall due. The Trustees may choose to retain additional invested assets in a liquidity fund with LGIM, which can be used to meet short term cashflow needs. The Trustees have considered the risk of liquidity as referred to above.

9. Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

Financially material considerations

9.1. The Trustees have received training from their investment advisors to consider the financial materiality of Environmental, Social and Governance considerations, which include climate change (hereafter referred to as “ESG issues”). The Trustees have considered the findings as a result of this training to form their views on the financial materiality of ESG issues where they apply to the Scheme’s current investments.

9.2. The Trustees believe that ESG issues (as defined above) have the potential to have a financially material impact – that is, they have the potential to impact the value of the Scheme’s investments. However, as the Trustees have completed a purchase of a bulk annuity policy for the majority of the Scheme’s liabilities, the Trustees are largely reliant on the insurer to manage these risks. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme and not covered by the policy.

9.3. The Trustees are also cognisant of the different investment timeframes that may apply to investments. The Trustees believe that ESG issues, including climate change issues, may have a greater impact over a longer timeframe (compared to investments that are held for a shorter timeframe) as the financial materiality of such issues will have a greater impact over a longer timeframe.

9.4. The Trustees appreciate that the method of incorporating ESG within an investment strategy and process will differ between asset classes. A high-level summary of the Trustees’ views on ESG integration within each asset class the Scheme invests in is outlined below:

Money market funds (or cash funds)

The Trustees believe there is limited scope for the consideration of ESG issues to improve risk-adjusted returns in this asset classes because of the fact that money market investments are short-term.

It is worth noting that when transacting in money market funds, the Trustees require that due diligence is undertaken to assess the creditworthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustees believe this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit-worthiness assessment.

Bulk Annuity Contract

In terms of the bulk annuity contract with the insurer, there is limited scope for the consideration of ESG issues from a financial materiality perspective given the investment is illiquid and its objective is to match member experience. Given the contract is fully illiquid and covers the Scheme’s full liabilities, there is not any selection, or realisation of invested assets, and therefore there are no financially material considerations that are taken into account in relation to this, or indeed in relation to the retention of the contract. There are no voting rights attached to the bulk annuity contract and the Trustee does not carry out engagement activities with the insurer given these are not expected to have a material impact on the investment.

Policy on Stewardship

9.5. Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme’s investments, and the engagement by and with investment managers. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted returns.

9.6. The Scheme currently invests in a bulk annuity and liquidity fund only. As a result, there is limited scope for stewardship.

9.7. Due to the nature of the investments held, there are no voting rights to be exercised.

9.8. At this time, the Trustees have decided not to set stewardship priorities / themes for the Scheme given the nature of the investment arrangements.

9.9. To the extent there are residual invested assets held in a pooled liquidity fund, responsibility for stewardship is delegated to the fund manager.

9.10. The Trustees are comfortable with the current fund manager's strategies and processes for conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

Policy on non-financially material considerations

9.11. The Trustees do not 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 of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

10. Policy on arrangements with asset managers

Alignment of investment strategies with investment policies

10.1. The Trustees will ensure that the arrangements with the investment managers incentivise the investment managers to align their investment strategy and decisions with the Trustee's investment policies as follows:

- Prior to appointing an investment manager, the Trustees discuss the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustees' own investment aims, beliefs and constraints.

- When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to achieve the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

- The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated. The investment managers have been informed of this by the Trustees.

- Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

- The Trustees carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.2. The Trustees will ensure that the arrangements with investment managers incentivise them to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt and to engage in order to improve their performance in the medium to long-term as follows:

- The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. The Trustees recognise that the potential for change in value as a result of ESG and climate risk, may occur over a much shorter term than climate change itself. The Trustees have acknowledged this in their investment management arrangements.

- When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assesses these over an agreed predetermined rolling timeframe. The Trustees believe the use of rolling timeframes, typically three to five years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests.

- The Trustees expect investment managers to be engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Manager performance and remuneration

10.3. The Trustees do not undertake any formal monitoring of the investment managers due to the limited benefit of this activity given the bulk annuity policy held with the insurer for the majority of liabilities of all Sections.

10.4. The Scheme invests exclusively in pooled funds and annuity policies. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the fund grows, due to successful investment by the investment manager, they receive more and as the value falls they receive less.

10.5. Trustees ask the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges may be considered every three years as part of the review of the Statement of Investment Principles.

Duration of arrangements with asset managers

10.6. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.7. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is assessed at least every three years. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Portfolio turnover costs

10.8. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. However, given the annuity policy and cash holdings of the Scheme, the Trustees note that the impact of portfolio turnover costs and the duration of arrangement with the investment manager are expected to have zero impact.

11. Agreement

11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Note on investment policy of the Scheme as at June 2024 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Trustees have secured an insurance contract in respect of the Scheme's liabilities with Legal and General Assurance Society ("LGAS"). The insurer is supervised by the Prudential Regulatory Authority ("PRA") in co-ordination with the Financial Conduct Authority ("FCA") within the current regulatory context.

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and diversification:

Asset class	Strategic allocation
LGAS bulk annuity policy	100%

The Scheme will also hold any residual invested assets with LGIM in a liquidity fund. The purpose of this is to cover fees and other expenses, including any final benefit adjustments.

2. Choosing investments

The Trustees have secured an insurance contract in respect of the Scheme's liabilities with the insurer, LGAS.

The Trustees have also appointed Legal and General Investment Management (LGIM) to carry out the day-to-day investment of the Scheme's residual assets.

The investment benchmark of the liquidity fund is the SONIA rate, with an objective to provide diversified exposure and a competitive return in relation to SONIA.

The Trustees also have an Additional Voluntary Contributions (AVCs) contract with Utmost Life and Pensions Limited for the receipt of members' AVCs.

The AVC providers are authorised by the Prudential Regulation Authority and the fund managers are authorised and regulated by the Financial Conduct Authority.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
LGIM	Sterling Liquidity Fund	

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

4. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.