

OSG Ship Management (UK) Ltd Retirement Benefits Plan (the “Plan”)

Statement of Investment Principles (the “Statement”)

Scope of Statement

This Statement has been prepared in accordance with sections 35 and 36 of the Pensions Act 1995, as amended by sections 244 and 245 of the Pensions Act 2004, respectively, and the Occupational Pension Scheme (Investment) Regulations 2005.

The effective date of this Statement is December 2024. The Trustee will review this Statement and the Plan’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations made and parties involved

The Trustee has consulted with the Employer prior to writing this Statement and will take the Employer’s comments into account when they believe it is appropriate to do so. The Trustee will also consult with the Employer on any revision to this statement.

The Trustee is responsible for the investment strategy of the Plan. They have obtained and considered written advice on the investment strategy appropriate for the Plan. They have obtained advice on the preparation of this Statement and this advice was provided by Aon Investments Limited (“Aon”) which is authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the members of the Plan.

Objective

The objective of the investment strategy is to ensure that the Plan’s assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise.

Investment policies

This Statement details the Trustee’s policies on:

1. matters relating to the kinds of investments held by the Plan;
2. stewardship and, in particular, voting and engagement activities.

1. Matters relating to the kinds of investments held by the Plan

1.1 Kinds of investments

The Trustee has decided to invest the Plan's assets in a Bulk Annuity Agreement ("Annuity Policy") with Aviva. The Annuity Policy is intended to provide a return which matches the liabilities insured for the membership of the Plan, and remove unrewarded risks such as interest rates, inflation, and longevity, that are associated with those liabilities insured.

1.2 Risks arising from the investments and risk management

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

a) Annuity Policy default risk

The risk that Aviva fail to make the pension payments covered by the Annuity Policy as they fall due. Having considered the credit strength of the insurer as part of its due diligence process, in addition to other factors such as the regulatory environment and other protections available (e.g., the Financial Services Compensation Scheme), the Trustee considers this to be an appropriate investment for the Plan.

b) Liability mismatching risk

The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors. The Trustee and its advisers considered this mismatching risk when setting the investment strategy, however this risk has reduced significantly with the Annuity Policy now in place.

c) Cash flow risk

The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities. The Trustee and its advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. Aviva is responsible for providing the cash for benefit payments covered by the Annuity Policy, the risk that it defaults on this obligation is covered under 'Annuity Policy default risk'.

d) Covenant risk

The possibility of failure of the Plan's sponsoring employer. The Trustee and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

e) Operational risk

The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner. The Trustee's policy is to monitor these risks periodically.

1.3 Environmental, Social, and Governance ("ESG") considerations

The Trustee considers investment risk to include ESG factors and climate change.

The Trustee has elected to invest the Plan's assets in an Annuity Policy and therefore cannot directly influence the environmental, social, and governance ("ESG") policies and practices of the companies in which the Annuity Policy invests. The Trustee reviewed the ESG integration and stewardship policies of the insurer at the point of purchasing the Annuity Policy, to ensure that the policies were in line with the Trustee's beliefs given that the Trustee retains ultimate responsibility for the Plan's assets and their management.

1.4 Members' views and non-financial factors

In setting and implementing the Plan's investment strategy the Trustee does not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial matters"¹).

2. Stewardship – voting and engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries. The Trustee held this in mind when selecting the Annuity Provider.

The Trustee has delegated all voting and engagement activities to the Annuity Provider, Aviva. This includes responsibility for stewardship activities, including voting and engagement. The Trustee accepts responsibility for how Aviva manages assets on its behalf, including the casting of votes in line with its voting policies. The Trustee does not attempt to influence the ESG integration or stewardship policies and practices of Aviva in managing these assets.

¹ The Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005/3378), Reg. 2.

3. Arrangements with asset managers

3.1 Alignment of interests and decision making

The Trustee recognises that all of the Plan's assets are invested with Aviva in the form of an Annuity Policy. The aim of the Annuity Policy is to wholly cover the benefits to all members of the Plan. Following the purchase of the Annuity Policy, the responsibility for managing arrangements with managers is with Aviva.

3.2 Cost monitoring

The Trustee paid a premium to Aviva when the policy was initiated, and as a result there are no ongoing fees in respect of the Annuity Policy.

3.3 Duration of arrangements

There is no set duration for the Trustee's arrangement with Aviva. The Trustee has given responsibility over the Plan's assets to the Annuity Provider who manages the Annuity Policy to pay the agreed liabilities of the Plan. The Trustee expects the annuity provider to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Signed on behalf of Entrust Pension Limited, Trustee of the OSG Ship Management (UK) Ltd Retirement Benefits Plan

Patrick Kennedy
Director, Entrust Pension Limited

9 January 2025

Name (print)

Signature

Date