The Shipowners' Protection Limited

Retirement Benefits Scheme

Statement of Investment Principles

Fourth Edition (Amended)

1.0 Introduction

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the Shipowners' Protection Limited Retirement Benefits Scheme (the "Trustees") in respect of the Shipowners' Protection Limited Retirement Benefits Scheme (the "Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Scheme (Investment) Regulations 2005.

This is the fourth edition of the Statement and, taken with the document "Investment Managers and Advisers", replaces all other versions and addenda.

In preparing this Statement the Sponsoring Employer has been consulted, and has provided comment.

2.0 Investment Governance Structure

The Trustees' primary role is to act in the best interests of the Scheme members.

The Trustees take strategic investment decisions as a complete body, with advice from their investment adviser, and do not feel it necessary to set up an Investment Sub-Committee. Strategic investment decisions include, but are not limited to:

- Asset allocation;
- Derisking;
- Currency hedging programmes;
- The use of derivatives for risk management purposes;
- Reviewing adviser recommendations.

However, the Trustees have delegated the day to day implementation of the investment strategy to their investment adviser via a Power of Attorney. The adviser's role includes, but is not limited to:

- Recommending changes to asset allocation and rebalancing;
- Undertaking agreed changes to fund managers and custodians, with Trustees having a right of veto;
- Operational due diligence on investment opportunities as appropriate;
- Completion of documentation on the Trustees' behalf in respect of appointment and removal of fund managers and custodians;
- Implementation of any currency or liability hedging strategies;
- Performance reporting;
- Ensuring sufficient liquidity to meet cash flow requirements;
- Attendance at trustee meetings.

Details of the investment adviser's remuneration can be found in a separate document entitled, "Investment Managers and Advisers".

3.0 Investment Beliefs

The Trustees have a separate document which includes reference to, for example, active versus passive investment, diversification, ESG, and stewardship. This is a detailed document that is held externally to this Statement, and which can be amended more frequently if needed.

The Trustees do not have strong beliefs, including on non-financial matters, that they feel should constrain or influence their decision-making process and are not aware of any such beliefs within the membership of the Scheme. However, they are aware of the Scheme Sponsor's restricted equity list but, given the investment via pooled funds, are unable to meaningfully influence their fund managers' stock selection.

4.0 Investment Objectives

Investment objectives are set with reference to the liability profile of the Scheme and the Sponsor covenant. Trustee meetings focus on the investment strategy and performance against objectives is monitored.

The Trustees have set out three main objectives for the investment strategy:

1. To ensure sufficiently realisable investments to meet member payments when they fall due;
2. For the value of the assets to be in excess of the value of the liabilities on a Technical Provisions basis, within the timeframe of the Recovery Plan;
3. To reduce funding level volatility by increasing interest rate and inflation hedges as opportunities arise.

These objectives are the key driver of all decision making and overarch all other policies and beliefs.

5.0 Environmental, Social and Governance (ESG)

The Trustees believe ESG, including climate change, to be an important long-term investment decision making factor. It is therefore considered as part of the selection and retention of asset classes and fund managers, using analysis provided by their investment adviser.

A separate ESG policy detailing the approach to ESG has therefore been produced that references the Trustees' investment beliefs.

The ESG Policy will be reviewed at least annually.

6.0 Stewardship

The Trustees do not have the necessary skills to vote or engage individually with the companies in which they invest through their fund managers. They also recognise that by investing via pooled funds they are unable to directly influence the underlying securities in which their fund managers invest.

However, portfolio managers are expected to engage and influence the companies in which they invest as well as exercise their right to vote.

The Trustees have a separate Stewardship Policy, including the engagement and monitoring of pooled fund managers, with respect to, for example, conflicts of interest and performance.

7.0 Risk Management

7.1 Integrated Risk Management

The Trustees fully understand the need to align the interests of all stakeholders in the Scheme. Specifically, the Trustees ensure that the Actuarial assumptions, investment strategy and risk appetite of the Sponsor are balanced as far as possible.

7.2 Risk Appetite

The Trustees provide value at risk information to the Sponsor and monitor risk on a quarterly basis. Their investment adviser also monitors portfolio and liquidity risk monthly.

Given the size of the pension fund and the spurious accuracy of risk metrics, the Trustees have not set an absolute risk level for the Scheme, nor has the Sponsor expressed one. However, all parties are aware of "value at risk" and monitor it.

7.3 Risk Reduction Strategies

The Trustees embrace diversification as a means to reduce portfolio risk. They seek to invest in funds with different drivers of return to achieve this.

In addition, risk mitigation strategies will be implemented, such as adding to pooled funds that have exposure to bonds and/or interest rate and inflation swaps, hedging currency risk or adding tail risk protection, as a means to address specific portfolio or liability valuation driven risks, where it is appropriate and cost-effective to do so.

The Trustees delegate the day to day running of the Scheme investments to appropriately qualified fund managers, who are recommended by their investment adviser.

It is recognised that full matching of liabilities can only be achieved through buy-in or buy-out and this will be considered by the Trustees when appropriate.

7.4 Cashflow Management

One of the key elements when setting investment strategy is the liquidity requirements of the Scheme. The Trustees monitor ongoing liquidity needs quarterly and assess whether there are sufficiently liquid assets available in the short term by stressing capital calls, for example from private equity, member payments and hedging strategies.

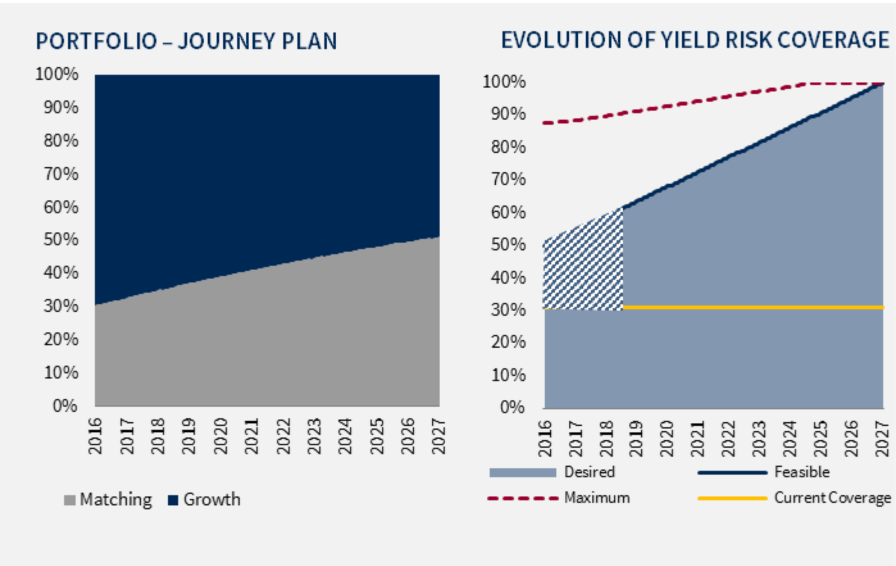
Their investment adviser also monitors liquidity monthly and will recommend adjusting the portfolio to ensure sufficiently liquid assets are available.

8.0 Long Term Journey Plan

The Trustees have set actuarial valuation assumptions that have different discount rates applied to pre-retirement liabilities and post-retirement liabilities. The investment strategy is therefore set with reference to this basis and the restrictions that may impose. Specifically:

- It is assumed that, within bonds, a broad 75% LDI/25% corporate bond allocation will be targeted to maximise the interest rate and inflation hedging ratios;
- There is scope to increase the bond allocation to up to 50% of the total portfolio and hedge 100% of the interest rate and inflation risk within 5 years;
- However, the Trustees and the Sponsor do not wish to immediately increase the hedge given market conditions, and both the ability and the willingness of the Sponsor to contribute to the Scheme;
- Therefore, the Trustees have set a broad journey plan that targets an increasing allocation to bonds but with an 18 month period from May 2018 over which movement towards the journey plan will be made on an opportunistic basis;

This opportunistic journey plan is highlighted in the chart below:



It is expected that the allocation to bonds/matching assets will increase over time, but targeted to be within a range of 25% to 50%, depending on market conditions, liquidity needs and liability management exercises. The hedging ratio will target the "feasible" line in the chart above, with opportunistic moves within the shaded area.

The journey plan is monitored informally on a monthly basis by the investment adviser and formally by the Trustees every quarter. Should there be a good reason to move towards the "feasible" journey plan, the investment adviser will contact the trustees either as part of the regular round of trustee meetings or, if appropriate, via e-mail.

The journey plan is updated as part of the triennial valuation, or sooner should there be material change to the liability profile or status of the Scheme. It is expected that the journey plan will be formally reviewed at these times.

9.0 Asset Allocation

9.1 Growth Assets

The Trustees have not restricted themselves by asset class and are willing to consider illiquid investments, provided they fit within a framework of diversification across different drivers of return.

The overall allocation within Growth is set with reference to liquidity within the following ranges:

Liquid (cash and short dated bonds):	0% - 20%
Semi-Liquid (funds with redemption terms of less than one year):	20% - 90%
Illiquid (funds with redemption terms of greater than one year):	0% - 20%

It is acknowledged that these ranges are for guidance only and market conditions, liquidity needs and liability management exercises may result in allocations outside the bounds. The target return is a function of the assumptions set in the actuarial valuation and the Trustees aim to achieve at least this with less than half the volatility of equities (as defined by the MSCI World Index), net of fees.

9.2 Bond Assets

The Trustees have set a medium-term strategy that aims to increase the coverage of interest rate and inflation risk that reflect the actuarial valuation methodology, whilst retaining sufficient liquidity to meet capital calls. They recognise that an exact hedge is not possible, given the size of the Scheme, and that a full hedge is not possible given the actuarial valuation assumptions.

A combination of physical bonds (both corporate and government) and derivatives (swaps) will be used to achieve a broad hedge based on the duration of the liabilities (PV01 and IE01). Instruments will be both inflation and fixed in nature.

It is recognised that the size of the Scheme restricts investment to pooled funds only and that market conditions and liquidity requirements will result in the mix of assets deviating from the target.

10.0Expected Return on Investments

The portfolio of assets is expected to achieve at least the return assumed within the Actuarial Valuation basis. Each fund manager has a benchmark which they are expected to achieve, and these are set out in a separate Investment Managers and Advisers document.

11.0 Fund Manager Selection

Fund manager selection is made by the Trustees' investment adviser, with the Trustees retaining a right of veto. As part of the fund research process the investment adviser will consider each fund manager's approach to environmental, social and governance (ESG) issues, alongside other factors which may be considered financially significant. Other non-financial matters are generally not considered unless there is a strong reason to do so.

Implementation of any agreed investment/redemption is made by the investment adviser via a Power of Attorney. Fund managers are selected after full due diligence has been undertaken.

The Trustees may use funds managed by their adviser and recognise the potential conflict. The fund manager's conflict of interest policy has been considered and only where it is cost-effective to do so will an investment be made.

A full list of the fund managers and their mandates can be found in the document entitled, "Investment Managers and Advisers".

12.0 Performance Monitoring

The Trustees review the performance of the Scheme on a quarterly basis. Consolidated reporting is provided by their investment adviser, which covers market commentary, macro-economic themes, asset allocation and Scheme performance, including performance against the actuarial liabilities.

In addition, they delegate monthly monitoring to their investment adviser, who is charged with bringing any significant issues to their attention outside the regular Trustee meetings.

The Trustees also measure the advice received and look to align interests through performance related fees where appropriate.

The key measure of success of the Trustees' decisions and the advice given is through the improvement in the funding level, and this is monitored quarterly.

13.0 Transparency

Information is available to members, including this Statement. It is the Trustees' aim to be transparent and free from conflicts as fiduciaries to the Scheme.

14.0 Compliance

This Statement has been drawn up with reference to current legislation and best practice. In particular, the Trustees have considered the Myners' Principles and The Pensions Regulator's Investment Guidance for Defined Benefit Pension Schemes, as appropriate to the Scheme.

The Statement will be reviewed annually and following any significant changes to the sponsoring employer's ability, or willingness, to support the Scheme or significant changes to the liability profile.

Date 25-09-2020

Signed on behalf of the Trustees by

Name W.D. EVERARD

Signed

Appendix A – Authorised Advice

In my capacity as investment adviser to the Scheme, as an investment adviser with Gatemore Capital Management LLP, and as an Approved Person with the Financial Conduct Authority, which authorises me to give investment advice under the Financial Services and Market Act 2000, I am pleased to provide you with written investment advice. This advice refers to the suitability of the investment strategy as set out in the Third Edition of the Statement of Investment Principles.

In my professional opinion, the investment strategy you currently have in place is broadly appropriate to the nature of the Scheme's liabilities and my understanding of both the Trustees' and Sponsoring Employer's risk tolerances and objectives.

The Trustees regularly review the investment strategy, taking into account revisions to the actuarial valuation, changes to liability profile and funding level, and changing investment market conditions, and are proactive in their decision making.

Date 9/28/2020

Name William Brammar

Signed