

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 September 2020. The Trustees 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 Trustees have 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 Trustees will also consult with the Employer on any revision to this statement.

The Trustees are 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 Solutions UK 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 Trustees’ policies on:

1. matters relating to the kinds of investments held by the Plan;
2. stewardship and, in particular, voting and engagement activities; and
3. their arrangements with asset managers.

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

1.1 Kinds of investments

The Trustees have decided to invest the Plan's assets in Aon's Delegated Consulting Service ("DCS"). Management of the Plan's assets has been delegated to Aon Investments Limited ("AIL"), which is authorised and regulated by the Financial Conduct Authority.

Under DCS, AIL manages the Plan's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL conducts the necessary day to day management of the funds required to meet The Trustees' objectives and appoints asset managers to manage investments on behalf of the Trustees ("Underlying Managers").

1.2 The balance between different kinds of investment

Under DCS the Plan will have an allocation between three different funds as detailed in the table below.

The Nominal and Real Funds contain exposure to both the Growth Fund and liability hedging instruments.

Investment	Objective	Return Target
Nominal +2 Fund	<p>There are two components:</p> <ul style="list-style-type: none">• It invests in a portfolio of leveraged fixed interest gilt funds, which are designed to match a typical pension scheme's liabilities with around 20 year duration.• It invests in growth assets to target 2% outperformance. <p>This is expected to broadly match the Plan's nominal liabilities and add returns.</p>	Gilts ⁽¹⁾ +2% p.a.
Real +2 Fund	<p>There are two components:</p> <ul style="list-style-type: none">• It invests in a portfolio of leveraged index linked gilt funds which are designed to match a typical pension scheme's liabilities with around 20 year duration.• It invests in growth assets to target 2% outperformance. <p>This is expected to broadly match the Plan's real liabilities and add returns.</p>	Gilts ⁽¹⁾ +2% p.a.
Growth Fund	To generate long term capital growth through investment in a diversified portfolio of return-seeking assets.	LIBOR +4% p.a.

(1) The manager will calculate a notional benchmark which reflects the underlying gilts held to match a typical pension scheme liabilities with around 20 year duration

The Trustees review the investment strategy in conjunction with each formal actuarial valuation of the Plan (or more frequently should the circumstances of the Plan change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Plan.

The Plan's investment strategy has been established as laid out below. The Plan's actual position relative to this asset allocation strategy is to be formally reviewed on an annual basis in order to determine whether any rebalancing is required.

Investment	Target Weight (%)	Control ranges (%)
Nominal +2 Fund	80.0	70.0 – 90.0
Real +2 Fund	10.0	0.0 – 20.0
Growth fund	10.0	0.0 – 20.0

As at 30 June 2020, the target investment strategy had an overall allocation to return-seeking assets of broadly 60% and an overall allocation to liability matching assets of broadly 40%.

1.3 Expected returns on assets

The target return of each individual investment is outlined on the previous page. Broadly speaking, the objective of the underlying Growth Fund is to generate long term capital growth through investment in a diversified portfolio of assets. Similarly, the Nominal and Real Funds seek to do this to varying degrees, whilst simultaneously providing a broad match to the Plan's movements in liabilities relating to changes in interest rates and expected inflation.

1.4 Risks arising from the investments and risk management

The Trustees measure and manage the credit risk, market risk and liability mismatching risk of the Plan's investments on a regular basis. In the case of market risk, the Trustees make distinction between risks that arise from currency exposure, interest rate and inflation exposure, and other pricing risks.

Measurement of each of the risks is detailed in ongoing reporting provided by Aon. The methods the Trustees employ for managing each risk are set out below.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other part by failing to discharge an obligation.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled

arrangements. AIL carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of a pooled manager.

Indirect credit risk arises in relation to exposure to underlying bond pooled investment vehicles. This risk is mitigated through the underlying exposures on aggregate basis being predominantly investment grade credit securities, and by funds holding a diverse portfolio of investments with exposure to a range of issues and issuers.

Cash is held within financial institutions which are at least investment grade credit rated.

b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets via pooled investment vehicles. AIL may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

c) Interest rate and inflation risk

Interest rate and inflation risk is the risk that the fair value or future cash flows of a financial asset, primarily bonds, interest rate swaps and pooled investment vehicles held mainly in bonds, will fluctuate because of changes in market interest rates and/or inflation.

The Plan is subject to interest rate and inflation risk because some of the Plan's investments are held in gilt derivatives, through pooled vehicles, and cash. These investments are held in order to mitigate the impact of interest rate and inflation changes on the Plan's liabilities. The Plan also has some exposure to bond pooled investment vehicles as part of its diversified return seeking growth portfolio.

d) Liability mismatching risk

Liability mismatching risk is the risk that changes in the value placed on the Plan's liabilities are not matched by appropriate changes in the value of the Plan's assets.

The Plan's investment strategy is determined in conjunction with a discussion with the Scheme Actuary in relation to the actuarial valuation and recovery plan. The investment consultant and Actuary work together to agree the required level of expected return above the discount rate and appropriate levels of liability hedging that broadly reflects the Plan's liability profile.

e) Other price risk

The Trustees define other price risk as the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate

risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises principally in relation to the Plan's return seeking assets which are held in pooled vehicles, investing in turn in a diversified range of pooled vehicles including, but not limited to, equities, fixed income, debt, property, infrastructure, hedge funds and other asset classes.

1.5 Realisation of investments and liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

1.6 Environmental, Social, and Governance (“ESG”) considerations

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustees consider these risks by taking advice from their investment adviser.

The Trustees have appointed AIL to manage the Plan's assets. AIL invests in a range of underlying investment vehicles. As part of AIL's management of the Plan's assets, the Trustees expect AIL to:

- where relevant, assess the integration of ESG factors in the investment process of Underlying Managers;
- use its influence to engage with Underlying Managers to ensure the Plan's assets are not exposed to undue risk; and
- report to the Trustees on its ESG activities as required.

1.7 Members' views and non-financial factors

In setting and implementing the Plan's investment strategy the Trustees do 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 Trustees recognise the importance of their 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 and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.

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

The Trustees, on an annual basis, review the stewardship activity of AIL to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by AIL. These reports include detailed voting and engagement information from Underlying Managers.

As part of AIL's management of the Plan's assets, the Trustees expect AIL to:

- ensure that (where appropriate) Underlying Managers exercise the Trustees' voting rights in relation to the Plan's assets; and
- report to the Trustees on stewardship activity by Underlying Managers as required.

The Trustees will engage with AIL as necessary for more information, to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Plan members on request.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustees.

Where voting is concerned, the Trustees expect the Underlying Managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees may engage with AIL, which in turn is able to engage with Underlying Managers, investee companies or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case-by-case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

3. Arrangements with asset managers

3.1 Alignment of interests and decision making

The Trustees have appointed AIL as their fiduciary manager and consider AIL to be their asset manager.

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the Underlying Managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive quarterly reports and regular verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives, and assess AIL over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustees in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this Statement, with AIL and request that AIL reviews and confirms whether its approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of Underlying Managers to AIL. AIL monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the Underlying Managers are aligned with the investment objectives of the Plan. This includes monitoring the extent to which the Underlying Managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees believe that having appropriate governing documentation, setting clear expectations to AIL, and regular monitoring of the AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically engage with AIL to understand the circumstances and materiality of the decisions made.

Before appointment of a new fiduciary manager, the Trustees will review the governing documentation associated with the appointment and will consider the extent to which it aligns with the Trustees' policies, as set out in this Statement. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

3.2 Evaluation of performance and remuneration

The Trustees assess the net of all costs performance of AIL on a rolling three-year basis against the Plan's specific liability benchmark and investment objective. The remuneration paid to AIL and fees incurred by third parties appointed by AIL are provided annually by AIL to the Trustees. This cost information is provided alongside the performance of AIL to provide context. The Trustees monitor these costs and performance trends over time.

3.3 Cost monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in

addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Plan;
- the fees paid to AIL;
- the fees paid to the Underlying Managers appointed by AIL;
- the amount of portfolio turnover costs incurred by the Underlying Managers (the Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the Underlying Managers);
- any charges incurred through the use of pooled funds (custody, administration, and audit fees); and
- the impact of costs on the investment return achieved by the Plan.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the Underlying Managers.

The Trustees benefit from the economies of scale provided by AIL in two key cost areas:

- the ability of AIL to negotiate reduced annual management charges with the Underlying Managers; and
- the ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the Underlying Managers and achieve efficiencies where possible.

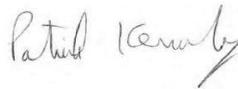
3.4 Duration of arrangements

There is no set duration for the Trustees' arrangement with AIL, although the continued appointment will be reviewed periodically.

Similarly, there are no set durations for arrangements with the Underlying Managers, although these are regularly reviewed as part of AIL's manager research and portfolio management processes.

Signed on behalf of the Trustees of the OSG Ship Management (UK) Ltd Retirement Benefits Plan

Patrick Kennedy



8 September 2020

Name (print)

Signature

Date