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Statement Regarding DC Governance

Background

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how NYK Line Pension Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (also known as Defined Contribution schemes or "DC").

This is the Trustees' 2024 annual report covering the period from 1 January 2024 to 31 December 2024.

The Statement of Principles (SIP) covers the Defined Benefit (DB) Section of the Scheme as well as the Defined Contribution (DC) Section. This Statement should be read in conjunction with the Scheme's SIP from September 2024, which is subject to regular review by the Trustees.

This Statement and the SIP is available to view and download from the Scheme website https://www.nykeurope.com/corporate/nyk-line-pension-scheme.html

Default arrangements

Members of the Scheme who do not make an explicit choice regarding the investment of their funds are invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant. The Scheme was used for auto-enrolment purposes in accordance with the UK Government's workplace pension reform, which commenced in October 2012. From that date, the Scheme served as a qualifying scheme for automatic enrolment, ensuring compliance with the statutory duties placed on employers to enrol eligible jobholders into a workplace pension. The Scheme continued to fulfil this role until it was closed to future accrual, at which point alternative arrangements were put in place to meet ongoing auto-enrolment obligations. Note that the Scheme was closed to further contributions with effect from 1 June 2017.

The current 5-year lifestyle default arrangement comprises four passively managed funds provided by Aegon (formerly BlackRock) and is invested as follows:

- Savings are invested in the Aegon BlackRock Global Equity 60/40 Index Tracking Fund until each member reaches age 55.
- Between the ages of 55 and 60 (the normal retirement age of the Scheme) the proportion invested in the Aegon BlackRock Global Equity 60/40 Index Tracking Fund is gradually reduced in favour of the Aegon BlackRock Over 15 Year Gilts Index Fund, the Aegon BlackRock Over 15 Year Corporate Bond Index Fund and the Aegon BlackRock Cash Fund so that by the time a member reaches age 60 their savings will be invested as follows:
    - Over 15-Year Gilts Index Fund = 37.5%
    - Over 15 Year Corporate Bond Index Fund = 37.5%
    - Cash Fund = 25%

Members who decide not to commence their benefits at age 60 (the Scheme's normal retirement age) are given the option to change the age at which the movement in funds commences from by selecting an alternative target retirement age.

The Trustees are however very aware of the potential impact of the introduction of wider member options as a result of the "Freedom and Choices" introduced from April 2015. Since that date, the Trustees have undertaken a number of exercises to discharge all "DC only" assets within the Scheme. This has included ceasing future contributions to the Scheme on 1 June 2017, a transfer of assets to a Master Trust arrangement and a voluntary transfer of some members to the new NYK Group Personal Pension Plan. These exercises are termed as a 'DC Discharge'.

The Trustees have discussed the suitability of changes to the default investment arrangement and have concluded that the current funds available to those remaining in the Scheme following the DC Discharge, which

targets an annuity purchase, continues to remain suitable for all deferred members' retirement plans and they are comfortable with how the funds have been performing. In particular, for these remaining members as there is an underlying GMP underpin to these benefits (which pays a given level of pension at retirement), the Trustees remain comfortable that the funds remain appropriate to provide the better of the DC pot and GMP underpin at a members' chosen retirement date. The Trustees undertook a formal review of the investment strategy on 14 December 2023 which included a consideration for any member who did not transfer to the GPP, and whose benefits were not included as part of the bulk transfer to Master-Trust outlined below. The Trustees did not propose any changes in relation to the DC Section or the AVC investments as a result of this review.

During the period covered by this statement there have been no changes to the Scheme's investment strategy as the Trustees remain comfortable with the performance of the current arrangement. The default arrangement is described in further detail in the Scheme's Statement of Investment Principles (SIP) which was signed by the Trustees on 23 December 2020 (updated in September 2023) and a copy of which is submitted alongside this governance statement.

The Trustees continually monitor the performance of the Scheme's investments throughout the year and receive quarterly performance reports from their investment managers.

The Pensions Regulator (tPR) has been encouraging consolidation of DC funds, in particular through the use of master trusts. In the Chair's Statement to 31 December 2021, the Trustees noted that they had conducted an exercise to understand the possibility of discharging all of the DC assets and liabilities from the Scheme. Following this exercise, the Trustees agreed to transfer all members with DC savings built up from 6 April 1997 (known as "post 97 DC pots") only to the Aviva Master Trust. This transfer took place during October 2021 and means that only members with the following types of DC benefits remain within the Scheme:

- Those members with DC Savings up to and including 5 April 1997 (Known as "Pre 97 DC pots), which have a GMP underpin (where members also had a Post 97 DC pot, this has been transferred across to Aviva).
- Those members with a DC pot that have a Final Salary underpin within the Scheme – this underpin is expected to apply for all affected members.
- The portion of a members benefit which related to any AVCs with Prudential.

The Trustees have established processes to publish relevant information on the default arrangement online at the following URL: https://www.nykeurope.com/corporate/nyk-line-pension-scheme.html and will notify members about this in their annual benefit statements.

Asset allocation of the Default arrangement

We have provided further details in the table below of the underlying asset allocation of the Default arrangement. We have provided this information in line with statutory guidance.

Asset Class	Allocation (%) at age 25	Allocation (%) at age 45	Allocation (%) at age 55	Allocation (%) at age 60
Cash	**0.0%**	**0.0%**	**0.0%**	**25.0%**
Bonds	**0.0%**	**0.0%**	**0.0%**	**75.0%**
Fixed Interest Government Bonds	0.0%	0.0%	0.0%	37.5%
Investment Grade Corporate Bonds	0.0%	0.0%	0.0%	37.5%
Listed Equities	**100.0%**	**100.0%**	**100.0%**	**0.0%**
UK Equities	60.0%	60.0%	60.0%	0.0%

Asset Class	Allocation (%) at age 25	Allocation (%) at age 45	Allocation (%) at age 55	Allocation (%) at age 60
Developed Market Equities (ex. UK)	40.0%	40.0%	40.0%	0.0%
Private Equity	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Infrastructure	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Property / Real Estate	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Private Debt / Credit	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Other	**0.0%**	**0.0%**	**0.0%**	**0.0%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Aegon, as at 31 December 2024.

The Trustees also have a policy on illiquid assets in the SIP, noting that the Scheme's default arrangement does not include an allocation to illiquid assets.

Core financial transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section and AVC arrangement are processed promptly and accurately. These include the transfer of member assets out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

During the Scheme year, the transactions in respect of the DC section were undertaken on the Trustees' behalf by the Scheme's administrator, Broadstone, and its investment manager, Aegon UK plc. Prior to 8 February 2024, the administration services for the Scheme were provided by Mercer Limited.

During the Scheme year, the Trustees had a service level agreement (SLA) in place with Broadstone, which covered the accuracy and timeliness of all core transactions, and they received regular reports to monitor the performance against those service levels.

In previous years (and for part of this Scheme year until 8 February 2024) when Mercer was the administrator, the Trustees have noted that administration performances against the SLAs have remained reasonable for the majority of the core financial transactions, although these have been lower than expected in relation to the production of quotes for members requesting transfers or retirement.

The Trustees were also mindful that anecdotally members have had to chase the administrator for updates and responses to general queries in many cases. The new administrator, Broadstone, has since completed the first lifestyling switches since being appointed in early-2024, to bring the membership up to date. During the Scheme year, Broadstone has also received the final GMP reconciliation data for the administration of the underpin.

As the Scheme's current administrator, Broadstone employs a workflow management system and full checking process to ensure tasks are completed accurately and on time. This includes all automated calculations being checked and reviewed by a senior team member. In addition, monthly SLAs are reported to the administration manager and Board of Directors at Broadstone.

Broadstone also ensures that they are compliant with the SLAs, meeting both internal standards and external legislative requirements. Broadstone also undertake annual checks on data quality. Any material issues uncovered regarding inaccuracies with core financial transactions are to be included within the administrator's report to the Trustees.

There are no Service Level Agreements in place with Prudential in relation to AVCs and there are no processes in place to monitor the performance of Prudential, although with only 7 members holding investments (as at 31 December 2024), there is little ongoing administration activity. In the event of a member choosing to take their benefits from Prudential, liaison will take place between the administrator and Prudential to ensure information is provided in a reasonable time frame.

Member-borne charges and transaction costs

Default arrangement

The law requires the Trustees to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for members. These transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. We have taken account of the statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement and self-select range are as follows:

Default arrangement charges and transaction costs

Years to normal retirement age	TER (%p.a.)	Transaction Cost (%p.a.)	Total of charges and costs (%p.a.)
More than 5 years	0.17	0.07	0.24
At retirement	0.14	0.02	0.17

Figures may not sum due to rounding.

Self-select funds charges and transaction costs

Fund	TER (%p.a.)	Transaction Cost (% p.a.)	Total of charges and costs (% p.a.)
Aegon BlackRock 60/40 Global Equity Index Fund	0.17	0.07	0.24
Aegon BlackRock Over 15 Year Corporate Bond Index Fund	0.17	0.03	0.20
Aegon BlackRock iShares Over 15 Year Gilt Index Fund	0.15	0.02	0.17
Aegon BlackRock Cash Fund	0.10	0.01	0.11
Aegon BlackRock Index-Linked Gilt Fund	0.14	-0.08	0.07
Aegon BlackRock up to 5 Year Index Linked Gilt Index Fund	0.13	0.05	0.18
Aegon BlackRock All Stocks UK Index-Linked Gilts Index	0.15	0.05	0.20

Source: Aegon, transaction costs for year to 31 December 2024. Funds in **bold** in the table above represent the funds used as part of the default arrangement. Figures may not sum due to rounding.

The fee on the default arrangement is lower than the maximum TER allowed for default arrangements in auto-enrolment schemes of 0.75% p.a.

We are comfortable that the costs for the default arrangement and self-select funds are reasonable both in terms of outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. This is further explained in the Value for Members section of this statement.

Additional Voluntary Contributions (AVCs)

Historically, the Trustees made available a facility to members to pay in additional contributions to boost Defined Benefit (and DC) section benefits. However, this is no longer receiving any further contributions. The facility is provided by Prudential.

For reference the TERs and Transaction Costs for the year to 31 December 2024 have been provided below:

Fund	TER (% p.a.)	Transaction Cost (% p.a.)
Prudential With-Profits Cash	n/a*	0.06
Prudential Discretionary	0.77	0.17

Source: Prudential, year to 31 December 2024. *Due to the nature of the with profits fund, Prudential did not explicitly confirm the management charges applicable to members. These are instead largely dependent on the returns of the underlying fund and will vary year on year.

Note that DC members can also invest their AVCs within the main DC investments.

Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Scheme year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.

Default arrangement

For the default arrangement, where returns vary with age, returns are shown over the Scheme year for a member aged 25, 45, 55 and 60 at the start of the period the returns are shown over.

Age of member at the start of the period	1 year (%)	3 years (%p.a.)	5 years (%p.a.)
25	9.1	5.8	6.4
45	9.1	5.8	6.4
55	9.1	5.8	6.4
60	-1.9	-4.1	1.6

Self-select funds

The net returns (i.e. after deduction of all costs and charges) for the self-select funds over the period to 31 December 2024 are shown in the table below.

Fund name	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Aegon BlackRock 60:40 Global Equity Index Fund	9.1	5.8	6.4
Aegon BlackRock Over 15 Years Corporate Bond Index Fund	-5.5	-12.2	-5.8
Aegon BlackRock iShares Over 15 Years UK Gilt Index Fund	-10.2	-18.5	-10.5
Aegon BlackRock Cash Fund	4.9	3.3	1.8
Aegon BlackRock All Stocks UK Gilt Index Fund	-3.3	-8.7	-4.9
Aegon BlackRock Index-Linked Gilt Fund	-11.1	-18.4	-8.9
Aegon BlackRock up to 5 Year Index Linked Gilt Index Fund	2.4	3.9	3.4

AVC funds (funds where member assets were invested over the Scheme year)

We provide in the table below details of the net performance for funds over the period to 31 December 2024 for the With-Profits Fund and for the Discretionary Fund.

Fund name	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Prudential Discretionary Fund	7.1	1.7	3.8
Prudential With-Profits Cash Fund	7.8	3.7	4.7

*Note that performance for the With Profits Cash Accumulation Fund is for the period to 6 April 2024. This is the only available performance provided by Prudential.

Cumulative effect of charges

We have taken account of statutory guidance when preparing this section of the report. The compounding effect of charges on a member's fund can be illustrated as follows:

Projected pension pot in today's money

Illustration for an "Average" member

		Default Strategy		Aegon BlackRock Cash (Cheapest fund)		Aegon BlackRock 60:40 Global Equity Index (most expensive fund)	
Years to Retirement	Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
3	57	£18,315	£18,315	£18,315	£18,315	£18,315	£18,315
2	58	£18,701	£18,667	£18,404	£18,385	£19,030	£18,987
1	59	£19,012	£18,943	£18,494	£18,455	£19,772	£19,683
0	60	£19,208	£19,106	£18,584	£18,525	£20,544	£20,405

Projected pension pot in today's money

Illustration for a "Young" member

		Default Strategy		Aegon BlackRock Cash (Cheapest fund)		Aegon BlackRock 60:40 Global Equity Index (Most expensive fund)	
Years to Retirement	Age	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
9	51	£10,471	£10,471	£10,471	£10,471	£10,471	£10,471
8	52	£10,880	£10,855	£10,522	£10,511	£10,880	£10,855
7	53	£11,304	£11,253	£10,573	£10,551	£11,304	£11,253
6	54	£11,745	£11,666	£10,625	£10,591	£11,745	£11,666
5	55	£12,204	£12,094	£10,677	£10,631	£12,204	£12,094
4	56	£12,641	£12,500	£10,729	£10,672	£12,680	£12,538
3	57	£12,988	£12,818	£10,781	£10,712	£13,175	£12,998
2	58	£13,262	£13,064	£10,834	£10,753	£13,689	£13,474
1	59	£13,483	£13,258	£10,887	£10,794	£14,223	£13,969
0	60	£13,621	£13,371	£10,940	£10,835	£14,778	£14,481

Assumptions:

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to the normal retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Transaction costs have been averaged over the year to 31 December 2024, in line with the data that is available. The highest and lowest cost funds have been determined after allowing for the transaction costs incurred during the Scheme year. The Aegon BlackRock Cash Fund has the lowest charges in the Scheme year, whilst the Aegon BlackRock 60/40 Global Equity Index has the highest total charge.

Age "Average" member "Young" member	 57 (the average age of the Schemes membership) 51 (the average age of the youngest 10% of members)
Scheme Retirement Age	60
Starting Pot Size "Average" member "Young" member	 £18,315 (the median pot size of the Scheme's membership) £10,471 (the median pot size for the youngest 10% of members)
Contributions	Nil – the Scheme is closed to future contributions
Inflation	2.5% p.a.
Expected future returns on investment: o Aegon BlackRock 60:40 Global Equity – 4.00% above inflation o Aegon BlackRock Over 15 Years UK Gilt Index – 0.50% above inflation o Aegon BlackRock All Stocks UK Index-Linked Gilts Index – 0.50% above inflation o Aegon BlackRock Over 15 years Corporate Bond Index – 1.10% above inflation o Aegon BlackRock Cash – 0.50% above inflation	

Value for members

Trustees of specified schemes must carry out a holistic assessment of how their scheme delivers value for members. The outcome of this assessment must be reported in the annual Chair's statement and include consideration of reported costs and charges, fund performance (and net investment returns) and other measures of scheme governance and administration. The new regulations now require the Trustees to test the Scheme against comparable UK schemes or DC arrangements, including one which is ready and able to take on the assets and liabilities of DC members if necessary.

The Trustees have carried out a value for members assessment as at 31 December 2024. The conclusions of this assessment are set out in the table below:

Assessment area	Conclusion
Costs and charges	The Trustees have assessed the Scheme as offering good value from a costs and charges perspective. The Scheme's costs and charges have been assessed as lower in general than those of the comparator arrangements.
Net investment performance	The Trustees have assessed the Scheme as offering satisfactory value from an investment performance perspective.

	For members aged 55 and 45, the default strategy has delivered investment returns which are broadly in line with the default arrangements of the comparator schemes over the past 3-year and 5-year periods. However, over shorter time periods, the default strategy has delivered investment returns below that of the median comparator scheme. For a member aged 60, the default strategy has delivered returns which are broadly below that of the default arrangements of the comparator schemes over the past 1-year, 3-year and 5-year time periods. However, we note that the default arrangement has a higher allocation to fixed income assets in the at-retirement stage, which (other than short-duration index-linked gilts) have delivered negative returns across all timeframes. The Scheme default design at retirement is appropriate given the need to provide for the GMP underpin.
Governance and administration	In assessing the governance and administration of the current arrangements against the seven key metrics, Broadstone are satisfied that the Scheme is performing at a satisfactory level in these areas. Following the change of Scheme administrator in February 2024 there has been some much-needed reconciliation work carried out in areas such a record keeping.
Overall	The Trustees' overall assessment is that the current arrangements provide value for members and the Scheme are not required to consider transferring benefits to an alternative arrangement. In previous assessments, the Trustees acknowledged that better value for members may be obtained elsewhere. This was reflected in its previous transfer out of members who hold only DC benefits from the Scheme and into the Aviva Master Trust. This means that those remaining members either have a Final Salary or GMP underpin attached to their DC benefits or AVCs linked to DB benefits. These underpins are expected to deliver value for members.

The Trustees have set up processes to publish relevant information on the default arrangement online at the following URL: https://www.nykeurope.com/corporate/nyk-line-pension-scheme.html and will notify members about this in their annual benefits statements.

Knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by the guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustees have put in place arrangements for ensuring that we take personal responsibility for keeping ourselves up to date with relevant developments. They plan on working with the new Scheme Administrator to explore their trustee training resources.

Over the last year a focus for the Trustees has been the transition from Mercer to Broadstone as the new Scheme Administrator. This has meant that the Trustees have had to ensure they have a deep understanding of the administrative requirements that has contributed to their ongoing knowledge and understanding of the Scheme. In order to deal with the transition, the Trustees have had to conduct a review of the administrative records that it holds and also work with the new provider to understand and address their requirements. To deal with this transition, the Trustees have received advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new

advisors. The Trustees also include legislative updates and trustee knowledge and understanding on the agenda for each of their meetings.

All of the Trustees have completed the Pensions Regulators Trustee Toolkit and new Trustees are required to complete this in its entirety within six months of taking up office. All the Trustees have familiarized themselves with the Schemes governing documents, in particular, the Scheme's Trust Deed and Rules and Statement of Investment Principles.

Key Policy documents form a key part of the governance log and the standard meeting agenda points. The Trustees have used a governance log to ensure that key activities, policies and document reviews are identified in a timely manner and raised during both regular trustee meetings, as well as their monthly catch ups. In addition, a risk register is maintained and shared with the Trustees and Scheme administrator. Any new issues are raised at the trustees' meetings.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are enabled properly to exercise our functions as Trustees of the Scheme. Throughout the year, the Trustees have also considered whether formal legal advice is required on particular issues. In addition, while most schemes simply focus on trustee training and use of advisers, the Trustees believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise the Trustees cannot be certain that the Scheme remains fit for purpose. The Trustees did a review of training needs, however, did not carry out a trustee effectiveness review during the Scheme year.

Given the extent of the training above, the Trustees are comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trust and the principles relating to the funding and investment of pension schemes. I am also satisfied that the Trustees have demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustees' current policies. This can be demonstrated with examples as follows:

- As part of the March 2024 Trustee meeting the Trustees reviewed material relating to a road to buy-in or buy-out. This has led the Trustees to review the deed rules in conjunction with the Scheme lawyer to improve their understanding of what their authority is under the current scheme rules.
- In conjunction with the new Administrator and as part of our Trustee meetings we have reviewed the following policies and refreshed out associated understanding – IDRP, Data Protection Policy, Remuneration Policy, Cyber Security and Climate Change and Risk policy. This was an opportunity for the Trustees to be updated in relation to the latest requirements for continued alignment with regulatory requirements and best practice.
- As part of the Member Nominated Trustee (MNT) appointment process that took place during July and August 2024, the Trustees reviewed the requirements of the MNT process and updated the associated procedures. This reinforced our understanding of MNT requirements and appointment procedures.
- At the October 2024 Trustee meeting the Broadstone investment advisor was invited to update the Trustees on the latest investment performance and any changes in the markets. This gave the Trustees an opportunity to raise questions and improve their understanding of the scheme investments and their performance.
- Regular investment monitoring reports provided opportunities for Trustees to deepen their understanding of investment performance and strategy.
- At the October 2024 Trustee meeting the latest triennial valuation review was presented. This was also a key learning moment, with the Scheme Actuary guiding the Trustees through the latest funding position.
- A review of the legal provider prompted the Trustees to investigation and reconfirm the legal services needed by pension schemes.
- The Trustees have used updates from their legal providers to consider the Virgin Media case and appropriate actions for the scheme to take. This has been typical of the approach taken by the Trustees to ensure awareness of emerging legal risks and governance considerations.

This statement has been prepared in accordance with Regulation 23 of the Occupation Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and

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Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

Name: Michael Ralls **Date:** 17.07.2025

Signed by the Chair of the Trustees, on behalf of the Trustees of the NYK Line Pension Scheme (the "Scheme")

Signed by:
Michael Ralls
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