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NYK Line Pension Scheme

Statement of Investment Principles

September 2024

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1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the NYK Line Pension Scheme (the Scheme).

The Scheme is set up under trust and is registered with HM Revenue and Customs (HMRC). The Scheme provides defined benefit and defined contribution benefits.

The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019
- The Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023.

A copy of this Statement will be made available to Scheme members on request to the Trustees, and it is also available online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Principal Employer, NYK Group Europe Limited ("the Company"), when setting their investment objectives and strategy, and in the preparation of this Statement.

The Trustees' policy is to seek professional advice on investment strategy. It decides on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that its level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, the Trustees address:

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- the need to consider a full range of asset classes,
- the risks and rewards of a range of alternative asset allocation strategies,
- the suitability of each asset class,
- the need for appropriate diversification, and
- the Scheme's Investment Objectives.

3 DB Section

3.1 Investment Objectives

In determining their investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme. They have determined that it is reasonable to take a long-term view in determining their investment objectives and strategy.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To earn a return which exceeds, or at least equals, the benchmark based on an asset allocation approved by the Trustee in consultation with the Employer.
- All other things being equal, to achieve the investment returns implied by the other objectives at the lowest possible cost.

The Trustees will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

3.2 Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The Trustees' policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may also invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

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Policy	
Target Asset Allocation	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment. The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees' risk appetite changes and the Scheme matures.
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation.
Employer Related Investments	The Trustees' policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

3.3 Liquidity

The Trustees' policy is that there should be sufficient investments in liquid or readily realisable assets, including cash, to meet unexpected cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy, where possible.

3.4 Realisation and Rebalancing of Assets

New money will be invested (or disinvestments required for cash flow purposes) on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

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The Trustees are mindful of the need to rebalance the assets of the Scheme in line with the Scheme's strategic benchmark asset allocation. The Trustees will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action, which may involve redirecting cash flows, a switch of assets, or taking no action, taking into account advice from the Investment Consultant.

The assets held are fully and readily realisable subject to the normal dealing frequency of the underlying funds.

3.5 Expected Returns

The Trustees expect the return on assets to be consistent with the investment objective and investment strategy outlined above.

The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its Technical Provisions and to at least meet the growth of the Scheme's liabilities on a Technical Provisions basis.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
Corporate bonds	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government bonds	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.
Equities	A return of 3%p.a. – 4%p.a. in excess of risk-free returns, measured by reference to gilt yields.
Cash	In line with the return on comparable money market funds and the prevailing rates of short-term interest rates.

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4 DC Section

4.1 Investment Objectives

The primary objective of the Defined Contribution ('DC') section is to ensure there is a range of real and monetary assets available for investments for members to choose from whilst offering two lifestyle arrangements, one of which represents the 'default' arrangement. To meet this objective, the Trustees provide an adequate fund range to meet most members' risk/return requirements, whilst selecting the default arrangement from a range of potential strategies.
The secondary objective is to ensure that the funds on offer are cost effective solutions.
The Trustees provide a default 'lifestyle' option for members who are unable, or would prefer not to, manage their own choices. Details of the lifestyle strategy can be found in the Chairman's Statement available on the Scheme website at https://www.nykeurope.com/corporate/nyk-line-pension-scheme.html.
Fund manager objectives are set with reference to appropriate risk levels.

4.2 Member Options

The Trustees have agreed to provide two lifestyle strategies and a freestyle strategy to members.
The default lifestyle strategy will automatically switch members from a "Growth Strategy" into Bonds and Cash over a period of five years, so that, at the end of this period, 37.5% of members' funds are invested in UK Corporate Bonds, 37.5% in Gilts and 25% in Cash.

A 10-year switch annuity lifestyle strategy is also available which will automatically switch members from a "Growth Strategy into a "Bond and Cash Strategy" over a period of 10 years. At the end of this period a similar mix of Corporate Bonds, Gilts and Cash will be held as per the default arrangement.

- The goal of the Growth Strategy is to invest in assets that provide a return linked to economic growth and in excess of inflation, in an attempt to grow the real value of a member's pension pot up to retirement.
- Within the annuity part of the lifestyle strategy, the goal of the Bond Strategy is to provide some protection from changes in the price of annuities as a member approaches retirement, i.e. to protect the purchasing power of the pension pot.
- Cash protects the value of tax-free cash taken at retirement.

The freestyle strategy allows members to select from any of the funds that the Trustees make available. The options currently are Global Equity, Corporate Bonds, Fixed Interest Gilts, Index Linked Gilts and a Cash fund as well as the lifestyle strategies. Currently, these funds are managed by Aegon and are:

- Aquila Life 60:40 Global Equity Fund.
- Aquila Life Over 15 Years UK Gilt Index Fund.
- Aquila Life Over 15 Years Corporate Bond Index Fund.
- Aquila Life Index-Linked Gilt Index Fund.
- Aquila Life Cash Fund.

No further contributions are payable into this arrangement.

The Trustees have appointed Aegon as Investment Manager to manage each of these Investment funds and default strategies.

4.3 Realisation

The assets are held in a combination of pooled funds and are fully and readily realisable. Investments are to be realised as and when required in accordance with a member’s request.

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4.4 Illiquid Investments

The investment allocation of the DC Section's default lifestyle arrangement does not include an allocation to illiquid assets, nor are any of the self-select options available to members categorised as illiquid funds on the following grounds:

- The size of the Section's assets is small, and illiquid asset investing typically requires larger minimum dealing sizes which limits the investment opportunity set.
- The charge cap of 0.75% per annum for the default arrangements can limit the attractiveness of higher cost illiquid fund options.
- The investment governance and administration surrounding illiquid investments is much greater compared to liquid asset investing.

There are several developments taking place in the industry, innovations within the investment management industry and changes in regulations which can facilitate a greater uptake in illiquid asset investing, for example changes made in relation to performance fees when calculating the fee level versus the charge cap. The Trustees will continue to monitor market and regulatory developments in relation to illiquid asset investing in order to determine whether it may be appropriate to introduce an illiquid allocation to the default arrangement at some point in the future.

5 Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme and with regards to the set of fund choices members have available to them. They have identified the following principal risks which have the potential to cause deterioration in asset values:

- **Solvency risk:** The risk that the Scheme has insufficient assets to meet all its liabilities as they fall due.
- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.
- **Manager risk:** The failure by the Investment Managers to achieve the rates of investment return assumed.
- **Liquidity risk:** The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- **Custodian risk:** The risk of failed or inadequate performance by the custodian.
- **Concentration Risk:** The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets.
- **Political risk:** The financial risk that a country's government will suddenly change its policies.
- **Sponsor risk:** The possibility of failure of the Scheme's sponsoring employers.
- **Counterparty risk:** The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.
- **Credit risk:** The risk that the issuer of a bond failing to pay coupons and/or return the principal at maturity.

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- **Inflation risk:** The risk that inflation erodes the real value of a member's pension pot. The Trustees provides an equity portfolio that aims to provide real returns over the long term, including within the default lifestyle strategy. In addition, as members approach retirement, there is an option to invest in an index-linked gilt fund that will provide a broad match for inflation-linked pensions in retirement.

- **Annuity risk:** As members approach retirement there is a risk that investment choices do not move in line with annuity prices. The Trustees have provided a gilt fund, which is a broad match to annuity prices, and this forms part of the default lifestyle strategy.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- The actual funding level versus the Statutory Funding Objective.
- Actual performance versus the Scheme's investment and funding objectives.
- Investment Managers' performance versus their respective benchmarks and targets.
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustees.

6 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by them.

The Trustees have considered the security of the Scheme's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

7 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustees' policies in respect of responsible investment are set out below:

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Policy	
Financially Material Considerations	The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expects the Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of its Investment Managers. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, this is set out in detail in Section 10 of this Statement.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expects the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviors of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustees will aim to monitor the actions taken by the investment managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Manager.
Capital Structure of Underlying Companies	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The 2023 voting policies of Aegon can be found at the following website:

exercise-of-voting-rights--shareholder-engagement-policy---aegon-am-investment-company-ireland-plc.pdf (aegonam.com)

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

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Asset Class	Active/Passive Managed	ESG Views
Investment Grade Corporate Bonds	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, although it appreciates that fixed income assets do not typically attract voting rights.
Equities	Passive	The Trustees acknowledge that the investment manager must invest in line with specified indices and, therefore, may not be able to disinvest from a particular security if they have concerns relating to ESG. The Trustees do expect the investment manager to take into account ESG considerations by engaging with companies that form the index, and by exercising voting rights on these companies
Government Bonds / Cash	Passive	The Trustees believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees will review the stewardship policies/review whether their stewardship policies are aligned of any new investment managers appointed, as well as assessing the stewardship and engagement activity of the current Investment Managers on an ongoing basis.

8 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and a conflicts register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

9 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the investment manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

10 Incentivisation of Investment Managers

The Trustees and the Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters.

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The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager is selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

11 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

12 Additional Voluntary Contributions

The Scheme provided a facility for members to pay Additional Voluntary Contributions ('AVCs) into the Scheme to enhance their benefits at retirement.

The Trustees' objective is to provide a range of funds which will provide a suitable long-term return for members, consistent with members' reasonable expectations.

In keeping with their policy for the main scheme assets, the Trustees' policy is to seek to achieve the objective by allowing members to invest in a suitable mixture of real and monetary assets. The Trustees monitor the performance of these funds on a regular basis.

The AVC investment options are reviewed on a regular basis, having taken written advice on their continued suitability as required by legislation.

13 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Investment Manager provides the Trustees with quarterly reports on various items including investment performance.

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance. The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

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The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether or not the Investment Manager (and Prudential as an AVC provider) remain appropriate to continue to manage the Scheme's investments and AVCs.

14 Review of Statement

The Trustees will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

This Statement is approved for and on behalf of the Trustees of the NYK Line Pension Scheme.

Signed: Signed by: Michael Ralls 4EA6934583ED4E9...

Date: 05.09.2024

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Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation – DB Section (excluding the pre-1 April 2004 DC funds for individual Final Salary members)

The Target Asset Allocation for the DB Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Corporate bonds	26.7%
Government Bonds	73.3%
Total	**100.0%**

This table reflects the target asset allocation to pure DB members only and does not include the allocation to equities in relation to DB funds held by members (invested pre-1 April 2004).

The balance within and between the corporate bond funds and government bond funds will vary over time.

A.2 Investment Manager

The Trustees have appointed Aegon to manage the Scheme's assets. The Investment Manager undertakes day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Strategies and Funds

The Trustees use the following funds operated by the Investment Manager:

Asset Class	Funds
Equity	Aegon BlackRock 60/40 Global Equity
Corporate Bond	Aegon BlackRock Over 15 Year Corporate Bond Index Fund
Government Bond	Aegon BlackRock Over 15 Year Gilt Index Fund
Government Bond	Aegon BlackRock All Stocks Index-Linked Gilt Index Fund
Government Bond	Aegon BlackRock Up to 5 Year Index-Linked Gilt Index Fund
Government Bond	Aegon BlackRock All Stocks Gilt Index Fund
Cash	Aegon BlackRock Cash Fund

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A.4 Fund Performance Benchmarks and Objectives

The Aegon BlackRock funds are index-tracking funds, meaning that their objective is to track the total return on a specified market index, sometimes within an agreed margin over a specified timescale. The benchmark and tracking criterion for these funds are given below:

Fund	Benchmark	Tracking Criterion
Aegon BlackRock 60/40 Global Equity	60% FTSE All Share Index 40% Overseas Equities	Track the return of its benchmark
Aegon BlackRock Over 15 Year Corporate Bond Index Fund	iBoxx UK Non-Gilts Over 15 Years Index	Track the return of its benchmark
Aegon BlackRock Over 15 Year Gilt Index Fund	FTSE Actuaries UK Gilts Over 15 Years Index	Track the return of its benchmark
Aegon BlackRock Index-Linked Gilt Index Fund	FTSE Actuaries UK Index-Linked Conventional Gilts Index	Track the return of its benchmark
Aegon BlackRock Up to 5 Year Index-Linked Gilt Index Fund	FTSE Actuaries UK Index-Linked Gilts Up to 5 Years Index	Track the return of its benchmark
Aegon BlackRock All Stocks Gilt Index Fund	FTSE Actuaries UK Conventional Gilts Index	Track the return of its benchmark
Aegon BlackRock Cash Fund	Sterling Overnight Index Average	Aims to produce a return in excess of its benchmark