

Maersk Retirement Benefit Scheme

# **Statement of Investment Principles**

July 2021



# Table of Contents

**Section 1 : Introduction .....2**  
**Section 2 : Division of responsibilities .....3**  
**Section 3 : Objectives and investment strategy.....5**  
**Section 4: Other investment policies .....7**  
**Section 5: Risk management.....8**

# Section 1: Introduction

## Pensions Acts

- 1.1 Under the Pensions Act 1995, as amended by the Pensions Act 2004, trustees are required to prepare a statement of the principles governing investment decisions. This document contains that Statement and describes the investment policy of the Trustee of the Maersk Retirement Benefit Scheme (the “Scheme”).
- 1.2 The Trustee has consulted with Maersk Line UK Limited (the “Employer”) on the principles set out in this statement. The Trustee has specifically taken into account the letter provided by A P Moller Maersk dated 1 April 2006 regarding the Scheme’s investment arrangements (as subsequently amended) as well as the letter dated 18 November 2020 in relation to the current asset allocation. The Trustee will consult further with the Employer on any subsequent changes to its investment principles.
- 1.3 Before drawing up this statement, the Trustee has obtained and considered written advice from the Scheme’s Investment Consultant. The Trustee will review this document annually or after any significant change in investment policy.
- 1.4 The Trustee has also considered the requirements of the Pensions Act 1995 concerning diversification of investments and the suitability of investments, and the Trustee will continue to consider those requirements on any review of this document or any change in investment policy.
- 1.5 The Scheme’s Statement of Investment Principles and annual report and accounts are available to members on request, and are publicly available free of charge on the Scheme’s website.
- 1.6 A copy of the Scheme’s current Statement of Investment Principles has also been supplied to Maersk Line UK Limited, the Investment Managers, the Scheme’s auditors and the Scheme Actuary.

## Financial Services and Markets Act 2000

- 1.7 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

## Scheme details

- 1.8 The Scheme is a registered pension scheme for the purposes of the Finance Act 2004 which operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries (“Members”).

## Section 2: Division of responsibilities

- 2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee may delegate some of these responsibilities.

### Trustee

- 2.2 Responsibility for all day-to-day investment decisions is delegated to the Investment Managers. The Trustee retains direct responsibility for other investment matters which include:
- Determining and reviewing the Scheme's investment objectives from time to time
  - Reviewing the investment strategy from time to time and by reference to the investment objectives
  - Monitoring the performance of the Investment Managers
  - Appointing and dismissing Investment Managers
  - Reviewing the content of this Statement regularly, in conjunction with the Investment Consultant and the Scheme Actuary, and modifying it if appropriate.
  - Consulting with the Employer when considering any amendment to this Statement.
  - Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.
  - Setting objectives for the Investment Consultant and monitoring performance relative to those objectives on an annual basis.

### Investment Managers

- 2.3 Legal & General Assurance Society Limited is responsible for meeting its obligations under the Scheme's bulk annuity policy.
- 2.4 In relation to Ares Management UK Limited, Barings and Legal & General Investment Management, their responsibilities include:
- Giving effect to the principles contained in this Statement as far as reasonably practicable and informing the Trustee of any breaches
  - Safekeeping of the relevant assets of the Scheme
  - Providing the Trustee with regular statements of the Scheme's assets and transactions, sufficient for the Trustee to monitor the Investment Manager's performance.

## Investment Consultant

2.5 The Trustee has appointed Willis Towers Watson as Investment Consultant, following the purchase of the bulk annuity policy in November 2020 which prompted a review of the need for the fiduciary management services formerly provided by BlackRock. The role of the Investment Consultant is to make recommendations or give advice to the Trustee in the following general areas:

- Review of the Scheme's investment objectives
- Any changes required to the Scheme's investment strategy from time to time
- Monitoring of investment manager performance
- Selection of new investment managers
- Participating with the Trustee in reviews of this statement.

## Scheme Actuary

2.6 The Scheme Actuary's responsibilities include:

- Performing the triennial (or other statutory) valuations of the Scheme and advising on the Scheme's funding position
- Liaising with the Investment Consultant on the suitability of the Scheme's investment strategy given the investment objectives.

# Section 3: Objectives and investment strategy

## Objectives

3.1 The Trustee has the following investment objectives:

- On completion of a data cleanse period, to secure further Scheme liabilities under the terms of the contract signed on 20 November 2020 with Legal & General Assurance Society Limited.
- To ensure sufficient cashflow to meet expenses and any payments due to members, including rectifications arising from data cleanse and GMP exercises.
- To invest the residual assets so as to efficiently hedge the risks that might be associated with the way that these residual assets are expected to be applied.

## Investment strategy

3.2 Following significant de-risking in December 2019 (primarily selling the equity portfolio and increasing the investment in the liability hedging strategy), the Trustee secured a bulk annuity policy with Legal & General Assurance Society Limited in November 2020 which covers the vast majority of Scheme benefits.

3.3 Immediately following the bulk annuity purchase, the Scheme had residual assets consisting cash in the Trustee bank account, cash held with BlackRock and a portfolio of small and medium enterprise loans (“illiquid assets”). Having considered its requirements for investment management and advice post-annuity purchase, the Trustee concluded in March that it no longer required fiduciary management services and terminated BlackRock’s appointment as fiduciary manager. This then led the Trustee to realise the liquid assets held with BlackRock in April 2021.

3.4 After retaining a float in the Trustee bank account as advised by Mercer, the Scheme’s administrators, the Trustee invested the majority of the cash proceeds in the Legal & General Sterling Liquidity Fund. This fund meets the liquidity objectives set out in 3.1 above.

3.5 The illiquid assets remain invested with their respective managers, Ares Management UK Limited and Barings, although the Trustee is exploring options for their early liquidation. The proceeds from this portfolio, whether from distributions or liquidation, will then be invested in accordance with the objectives above.

## Additional Voluntary Contributions (“AVCs”)

3.6 The Trustee currently invests members’ additional voluntary contributions with the following managers:

- Standard Life Assurance Company

- Legal & General
- Aviva

3.7 The Trustee reviews these arrangements from time to time to ensure that they meet the needs of members and the Trustee's objectives in making this facility available.



## Section 4: Other investment policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

### Rights attaching to investments

4.1 The Trustee does not hold assets which require the exercising of rights.

### Liquidity, investment and disinvestment

4.2 The Scheme's administrator (Mercer) assesses the likely benefit outgo on a monthly basis and liaises with Legal & General to ensure the payments can be made from the bulk annuity policy.

4.3 The Trustee's policy is that there should be sufficient investments in liquid or readily available assets to meet the cash-based obligations described in section 3. This aims to avoid the realisation of the illiquid investments until such time as the Trustee deems fit to do so.

### Diversification

4.4 The Scheme's assets are concentrated in the bulk annuity policy held with Legal & General Assurance Society Limited. However, this is reasonable in the context of the Scheme's objectives and given that holding this policy very significantly reduces the risk of failing to pay members' benefits as they fall due.

### Suitability

4.5 The Trustee has taken advice from the Scheme Actuary and Willis Towers Watson to ensure that the bulk annuity policy is suitable for the Scheme.

### Environmental Social and Governance Considerations

4.6 The Trustee takes into account financially material considerations, which include (but are not limited to) environmental, social and governance (ESG) considerations, including climate change. However, because the Scheme's time horizon is very short (2 years or less) and given the nature of the Scheme's investments (with the SME loans potentially being realised within an even shorter timescale), ESG considerations are not expected to have a material impact on or be relevant to the Scheme's investment strategy:

4.7 From 1 October 2020, regulations require that the Statement of Investment Principles must cover the Trustee's policies in relation to the Trustee's arrangement with any asset manager. As noted in the regulations, if the Trustee chooses not to do so it must explain why. The Trustee of the Scheme has decided against including such policies due to the nature of the Scheme's investments and its short time horizon (which is potentially shorter for the SME loans). The expected consequences of the new requirements are therefore likely to be irrelevant. However, the Trustee will continue to review this stance.

# Section 5: Risk management

5.1 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

- Liquidity risk
  - is measured by the level of cashflow required by the Scheme over a specified period;
  - is monitored and managed by the Scheme's administrators and Scheme Secretary assessing the level of cash needed on a monthly basis to meet the Scheme's liabilities, as well as the Trustee and Willis Towers Watson forecasting future liquidity requirements.
- Counterparty risk
  - is addressed through an appropriate level of scrutiny of Legal & General Assurance Society Limited.
- Matching risk
  - is managed by seeking to invest the non-annuity assets of the Scheme in such a way as to meet the future cash obligations of the Scheme and to efficiently hedge the risks associated with the way the Trustee expects to apply these funds.
  - is a negligible risk in relation to the guaranteed benefits of the Scheme since these are almost entirely covered by the bulk annuity policy.

5.2 The Trustee will continue to monitor these risks regularly.