Sunderland Marine

The SMMI Pension Scheme

Statement of Investment Principles

March 2026

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1. Introduction

The Trustee of the SMMI Pension Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustee’s investment responsibilities is governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

This Statement replaces the previous statement dated September 2024.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with NorthStandard Limited (the “Sponsor”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements and, in particular on the Trustee’s objectives.

2. Process For Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer’s Cashflow Driven Investment (“CDI”) Solution, to implement the Trustee’s strategy, which seeks to deliver a long term, low risk, sustainable investment, and funding strategy. Under the CDI strategy, the Trustee’s assets are invested predominantly in income generating assets in such a way that the expected cashflows (or income) generated by the assets broadly match a proportion of the Scheme’s expected liability cashflow profile, whilst still targeting a return in excess of gilts (noting that the intention is to match as high a proportion as possible, subject to the level of expected return required and associated risks).

In this capacity, and subject to agreed restrictions, the Scheme’s assets are invested in multi-client collective investment schemes (“Mercer Funds”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”)). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”)) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to sub-investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme’s assets on a day-to- day basis.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee’s primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective the Trustee’s further objectives under the CDI strategy are to:

- Closely align the sensitivity of the Scheme's assets and liabilities to changes in interest rate and inflation expectations by hedging approximately 100% of the sensitivity of the Scheme's total liabilities on the agreed basis for funding level and liability hedging monitoring purposes.

- Aim to match a large proportion of the projected member benefits by investing in income generating assets, whilst ensuring that sufficient liquid assets are available to meet benefit payments as they fall due.

- Reach a position such that the Scheme's assets would be sufficient to meet the costs associated with achieving a "buy-in" transaction with an insurance company.

Given the strong funding position of the Scheme, the Trustee does not consider investment in equity to be required to meet these objectives, but recognises the need for modest investment risk to be taken in order to achieve its funding level objective. The Trustee believes investment in risk assets that provide contractual cash-flows, such as growth fixed income, to be more appropriate for the ultimate long-term objective of the Scheme. The Trustee will balance investment in this "Non-hedge Management Portfolio" with investment in unleveraged and leveraged gilts (the "Hedge Management Portfolio") in order to achieve their objectives whilst controlling risk to the extent possible.

The Trustee recognises that investment in the non-hedge management portfolio introduces investment risk and these risks are discussed below.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustee's focus is that arising through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more volatility in the Scheme's funding position.

- To control the risk outlined above, the Trustee, having taken advice, set the split between the Scheme's Hedge Management and Non-Hedge Management Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in section 3.

- The Trustee recognises that even if the Scheme's assets are invested in the hedge management assets, there may still be a mismatch between the interest-rate and inflation sensitivity of the Scheme's assets and the Scheme's liabilities. The Scheme's investment strategy targets an interest rate and inflation hedge ratio of 100% of the total liabilities but the Trustee recognises that the actual ratio may drift slightly from that target from time to time. The Trustee also recognises that while the strategy is designed to approximately match expected cashflow requirements, changes in demographic assumptions, membership profile or other factors could lead to a mismatch between the investment strategy and required cashflow.

- The Trustee invests in leveraged LDI funds to maintain their target level of hedging without impacting on expected return but recognise that the use of leveraged LDI brings with it additional liquidity risks and requirements which can change over short periods of time with interest rate changes. The Trustee and Mercer review the Hedge Management Portfolio as part of the regular reporting and strategy reviews, including consideration of the market stress buffer and governance.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. To control this risk, the Trustee has delegated the asset allocation decisions within the Hedge Management and Non-Hedge Management Portfolios to Mercer. The Trustee, together with advice from Mercer, aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Mercer provides the Trustee with regular monitoring reports regarding the level of diversification within the Trustee's portfolio.

- To help the Trustee ensure the continuing suitability of the current investments, Mercer provides the Trustee with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds and their own performance for allocations they manage directly to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers increases such a risk. However, for specific asset classes it believes that this risk is outweighed by the potential gains from successful active management. Likewise, passive management will be used for one of a number of reasons, namely to control costs, diversify and reduce risk and when investing in certain asset classes where, due to relatively efficient markets, the scope for achieving added value is more limited.

- To help diversify manager-specific risk, within the context of each of the Hedge Management and Non-Hedge Management Portfolios, the Trustee expects that the Scheme's assets are managed by appropriate underlying asset managers.

- By investing in the Mercer Funds, the Trustee does not make investments in securities that are not traded on regulated markets. However, should the Scheme's assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- The Trustee recognises the risks inherent in holding illiquid assets. The Trustee has carefully considered the Scheme's liquidity requirements and time horizon when setting the investment strategy and liquidity risk is managed by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Hedge Management and Non Hedge

Management Portfolios, to limit currency risk, non-sterling currency exposure is implemented and managed using currency hedging derivatives such as forwards and swaps.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.
- Should there be a material change in the Scheme's circumstances, the Trustee will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current CDI strategy remains appropriate.

5. Investment Strategy

The Trustee, with advice from Mercer, as the Scheme's Investment Consultant, and the Scheme Actuary, review the Scheme's investment strategy on a regular basis, with a full review undertaken triennially following each Actuarial Valuation. The reviews consider the Trustee's investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented.

Following a period of strong funding improvements under the previous de-risking strategy, the Trustee agreed during the investment strategy review conducted in December 2025 to 'cashflow match' the Scheme's assets to its liabilities over time using a CDI strategy.

The approach mandates the following practices:

- Match a high proportion of the Scheme's expected liability cashflows by investing in predominantly income-generating asset classes such that expected asset cash-flows should broadly match the Scheme's expected liability cash-flow profile; and
- Closely align the sensitivity of the Scheme's assets and liabilities to changes in interest rate and inflation expectations by hedging approximately 100% of the sensitivity of the Scheme's total liabilities on the agreed basis for funding level and liability hedging monitoring purposes.
- Maintain an asset allocation that is expected to achieve a modest return in excess of the Gilts + 0.5% p.a. liability basis.

The strategy takes account of the Scheme's funding level on a Gilts +0.5% basis and is based on a model of the progression of the Scheme's funding level, taking into account the expected contributions from the Sponsor as previously agreed.

In implementing a low risk CDI portfolio framework with Mercer, the Scheme will invest in a combination of funds that Mercer has constructed in such a way as to provide a high degree of matching for the Scheme's cashflows (subject to practical constraints), while also targeting a total liability hedge ratio of 100%. Mercer selects what it considers to be best in class investment managers to manage the underlying mandates, which have been constructed to deliver an efficient low risk bond portfolio framework; managing and/or mitigating the various risks where possible.

The overall asset allocation between the Hedge Management Portfolio and Non-Hedge Management Portfolio is determined by the Trustee (in consultation with the Company), following advice from Mercer. The asset allocation within each of these portfolios is delegated to Mercer

Hedge Management Portfolio

The objective of the Hedge Management Portfolio is to hedge, in a pragmatic manner, the residual interest rate and inflation risks relative to the Scheme's liabilities.

The Hedge Management Portfolio comprises investments in a portfolio of liability driven investment ("LDI") funds, Mercer fixed income fund, index-linked funds, swap funds, cash funds and other Mercer funds as appropriate and in such proportion as determined by Mercer in its discretion.

The Trustee has instructed Mercer to target a total liability hedge ratio of 100% of interest rates and inflation (in respect of the liabilities as valued using the Gilts +0.5% p.a. discount rate). This is predominantly achieved through the assets held within the Hedge Management Portfolio with consideration of the interest rate and inflation sensitivity of the buy and maintain corporate bonds held within the Non-Hedge Management Portfolio.

Non Hedge Management Portfolio

The objective of the Non-Hedge Management portfolio is to generate additional returns to help meet the Scheme's overall return targets. The Non-Hedge Management Portfolio will consist of investments in a portfolio of credit-focused Mercer fixed income funds, cash funds, and any other Mercer Funds, in proportions determined at the Manager´s discretion, as well as undertaking any rebalancing activity. Mercer reports quarterly to the Trustee on its activities.

6. Realisation of Investments

The Trustee on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying sub-investment managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Cash flow and cash flow management

In the event of cashflows into, or out of, the Scheme, Mercer will invest or disinvest these as soon as reasonably practicable from the underlying funds at Mercer's discretion.

The Trustee utilises income generated from the Scheme's assets, where this facility is available within the Mercer Funds, in order to efficiently meet cash-flow needs and minimise the need for disinvestment to meet these needs. However, given that the Scheme also receives sponsor contributions, only limited use is made of income generated from the Scheme's assets.

8. Rebalancing

There is no pre-defined or automatic rebalancing between the Hedge Management Portfolio and Non-Hedge Management Portfolio, nor between the funds within the Hedge Management Portfolio and Non-Hedge Management Portfolio, other than where required for liability hedge management purposes. More detail is provided in the Statement of Investment Arrangements (“SIA”).

9. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee and Mercer believe in integrating financially material sustainability transition and socio-economic risks into investment decision-making, which can potentially enhance portfolio resilience.

The Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme’s assets and such assets are invested in a range of Mercer Funds managed by MGIE.

Mercer’s Investment Philosophy uses a holistic approach, considering market-wide and systemic risks and incorporating sustainability considerations objectives, governance, rewarded risk and value maximization considerations. Mercer’s full investment philosophy is also available here: Investment philosophy.

The Trustee has access to Mercer’s Sustainability Policy, which sets out the key principles and guidelines used by Mercer to consider and respond to sustainability risks and opportunities in investment process decision-making.

Sub-investment managers appointed to manage the Mercer Funds are expected to assess and reflect sustainability risks and opportunities in security or asset selection and portfolio construction including climate transition considerations, and this forms part of the selection process.

Mercer’s Stewardship Policy outlines the key principles and Mercer's approach to embedding effective stewardship in the investment process, including in manager selection, monitoring and reporting.

Mercer’s approach to managing climate transition risks and opportunities is consistent with the framework recommended by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). Mercer’s Climate-Related Financial Disclosures Report highlights Mercer’s approach in more detail. Disclosure consistent with the TCFD recommendations is also encouraged for appointed managers.

In order for the Trustee to oversee, assess and manage climate-related risks and opportunities for the Scheme, Mercer provides reporting to the Trustee at least annually, on integration of sustainability considerations, stewardship monitoring results, relevant and available climate-related metrics and climate transition analysis.

Mercer screens and monitors listed portfolios for high-severity incidents as flagged according to the UN Global Compact (“UNGC”) Principles that relate to human rights, labour, environment, and corruption issues, as identified by our appointed external research provider and will prioritise engagement with the managers owning those companies based on an internally developed framework.

Mercer may also elect to participate, as appropriate, in collaborative industry engagement initiatives related to engagement priorities, or other topics that are considered aligned with the best interests of the Scheme.

The Trustee has also considered the Sponsor’s sustainability strategy and note the Sponsor’s desire to assess the ESG standards of investments and to reach net-zero. The Trustee further notes the alignment with their ESG focus and Mercer’s commitment to a target of net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios and the majority of its multi-client, multi asset funds domiciled in Ireland.

The Trustee recognises the conflict of interest which may arise in the context of sustainable investment. Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assesses whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustee has not set any investment restrictions in relation to particular Mercer Funds.

10. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 4. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives, and considers, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustee is invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying sub-investment managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is , however, able to consider Mercer's and MGIE's assessment of how each underlying sub-investment manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the CDI strategy, and investment management of the assets. In addition, the underlying sub-investment managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to sub-investment managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the sub-investment managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

11. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of any Additional Voluntary Contributions paid by members with these assets currently invested with Aviva Plc by way of unit-linked and with-profits contracts. The Trustee reviews the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

12. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed: S. D. Marshall ________________________________

Date: 2 April 2026 ________________________________

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