Merchant Navy Ratings Pension Fund

Statement of Investment Principles

April 2025

1. Introduction

The main purpose of the MNRPF (the “Fund”) is the provision of pensions for "Ratings" (as defined in the MNRPF Trust Deed) in the British Merchant Navy on retirement at normal pension age and annuities for their surviving spouses or civil partners. The Trustee has the power to extend the qualification for membership to include other ratings or classes of persons connected with the British Merchant Navy.

The Trustee of the Merchant Navy Ratings Pension Fund has prepared this Statement of Investment Principles (“SIP”) for the Defined Benefits section of the Fund with effect from October 2024. It has been prepared in accordance with applicable legislation, taking into account guidance from The Pensions Regulator and Department for Work and Pensions, and written advice from an independent investment adviser as required.

The purpose of the SIP is to set out the Trustee’s investment strategy at a high level, including the investment objectives, investment strategy and other investment policies the Trustee has adopted.

The Trustee must review the SIP in consultation with the Participating Employers at least every three years and without delay after any significant change in investment policy or circumstances of the Fund. The Trustee last reviewed the SIP in May 2024 following a triennial investment strategy review.

2. Investment Beliefs

The Trustee has approved the core set of investment belief statements listed below. This provides a robust framework for logical and efficient decision making.

1) **Governance**

   The Trustee should focus on setting strategy and goals with implementation being delegated to a highly competent investment function. Tight controls and close oversight are key to managing conflicts of interest.

2) **Strategy**

   Strategic asset allocation and manager selection decisions can both have a material impact on performance. The Fund should target diversified sources of return as different sources of return, including equity, credit, term, illiquidity and skill premiums can all contribute materially over the long run. Active fund management in aggregate is a negative sum game after fees and costs and should be utilised selectively where governance and empirical evidence support the investment case, while the benefit of having the flexibility to evolve the portfolio quickly is greater than any potential illiquidity premium.

3) **Risk management**

   Long-run poorly rewarded risks should be largely hedged, if cost effective to do so, and any deviation should be sized appropriately. Extreme outcomes and mitigation techniques should be considered.

4) **Cost**

The primary focus should be on value with costs judged against the benefit that could be delivered. Investing with the best investment managers, even if this means higher management charges, is likely to deliver the best outcome.

5) **Monitoring**

Monitoring can add value, although past performance has limited predictive power.

6) **Sustainable Investment**

Climate risk is a systematic and multi-faceted risk, impacting the Fund's assets, members, covenant, and society and therefore merits specific attention – the Trustee is best placed to make decisions and drive direction in this area. A pound of pension is worth more in a world worth living in, so the Trustee cannot ignore its wider responsibilities. The Trustee should focus on what it thinks are the most important things, regardless of if they can be reliably and regularly measured, proactively building and maintaining a strong external profile and public reputation.

The Trustee should approach sustainability in a similar way to other investment matters, focusing on setting policy, strategy and engaging with key stakeholders. Sustainability factors are financially material to portfolio construction. Integration of environment, social & governance ("ESG") considerations is essential to avoid the risk of investing in companies that might otherwise seem cheap on traditional metrics [but become expensive due to ESG issues], while being an active owner produces better outcomes. A well-designed investment process should naturally exclude companies with undesirable ESG characteristics without Trustee intervention.

3. Fund governance

The Trustee is responsible for the governance of the Fund's assets and the investment of these assets in the best interests of members and beneficiaries. The Trustee exercises its powers of investment in accordance with the Trust Deed and Rules of the Fund and applicable law. Where the Trustee is required to make an investment decision, the Trustee must receive advice from the relevant advisers first. It believes this ensures that it is appropriately familiar with the issues concerned.

The Trustee has delegated certain day-to-day investment responsibilities of the Fund's assets to Schroders Investment Solutions Limited ("Schroders Solutions"), hereafter referred to as the "Fiduciary Manager". The Trustee is satisfied that the Fiduciary Manager has the appropriate knowledge and experience for managing the investments of the Fund and that it carries out its role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"), the principles contained in this SIP and any applicable investment guidelines and restrictions agreed with the Trustee.

The Trustee acknowledges the potential for conflicts of interest as part of ongoing Fiduciary Management business activities. As an FCA regulated firm, the Fiduciary Manager is required to prevent or manage conflicts of interest. Where third party managers the Fund invests in (the

“Underlying Managers”) are also regulated, they may be required to manage conflicts of interest under the regulatory regime in their jurisdiction of incorporation or operations. The Fiduciary Manager monitors these conflicts as part of its regulatory filings (where applicable), and as part of ongoing review. The Fiduciary Manager’s Conflict of Interest policy is available to be shared to the Trustee when required.

The Trustee considers that the governance structure is appropriate for the Fund as it allows the Trustee to make the important decisions on investment policies, while delegating certain day-to-day aspects to the Fiduciary Manager as appropriate.

4. Investment objectives and strategy

The primary objective of the Trustee of the Fund with regard to investment policy is to meet the benefit payments promised to the Fund’s members as they fall due. Hence, the Trustee has defined the investment strategy with due regard to the Fund’s liabilities.

The Trustee has set the following investment strategy:

1) The acquisition of suitable assets, having due regard to the risks set out in this SIP, which will generate income and capital growth to pay, together with any contributions from members or the Participating Employers, the benefits which the Fund provides as they fall due.
2) To limit the risk of the assets failing to meet the liabilities over the long-term having regard to any statutory funding requirements.
3) To achieve a return on investments which is expected over the long term to at least meet the asset return assumptions set by the Trustee for the discount rate used for the most recent assessment of Technical Provisions.

In pursuing these investment objectives, the Trustee intends to have due regard to:

1) the paramount interests of the members of the Fund, for whom the receipt of their promised benefits is of prime importance; and
2) the covenant of the Participating Employers, upon whom the responsibility for funding those benefits ultimately falls.

In quantitative terms, the Trustee’s current long-term objective for the Fund is to target an investment return objective of approximately 2.1% per annum (net of fees) in excess of the Fund’s liability benchmark.

The liability benchmark is created by Schroders Solutions and is based on the Fund’s Technical Provisions liability cashflows provided by the Fund Actuary, Simon Eagle of Willis Towers Watson (WTW). The liability benchmark represents an estimate of the change in value of the Fund’s liabilities through time, including the impact of changes in interest rates and inflation, valued based on gilt curves so that the overall investment target of gilts + 2.1% p.a. means 2.1% p.a above the liability benchmark.

The Trustee invests in a blend of the following key building blocks in order to target the return objectives and to mitigate the funding level impact of changes in liabilities:

1) **Completion Growth assets**: Invested in a diversified range of liquid return-seeking assets with asset allocation and manager selection delegated to the Fiduciary Manager, within asset class ranges set by the Trustee.
2) **Legacy private assets**: Invested in return seeking assets in private markets. The Trustee expects to allow most of these assets to unwind naturally to ensure maximum value for the Fund, but the Fiduciary Manager may seek opportunities to sell earlier if necessary/attractive.
3) **Structured Equity**: Invested in a combination of gilts and equity derivatives to capture equity return exposure with explicit downside protection, whilst also retaining gilt collateral to support the liability hedge; enabling an efficient use of capital.
4) **Contractual assets**: Invested in assets which distribute income/capital in order to reduce cash flow risk, whilst also mitigating some of the interest rate risk inherent in the liabilities.
5) **Liability Driven Investments (LDI)**: A bespoke segregated liability hedge designed to hedge 100% the interest rate and inflation risk inherent in the Technical Provisions liabilities scaled to the value of the assets.

The Trustee's long term objective for the Fund is to attain self-sufficiency (i.e. be able to sustain itself by investing assets on a low-risk basis and pay members' benefits without requiring additional employer support). Once this objective is met, the Trustee may then begin discussions with the Sponsoring Employers on the feasibility of a "buyout" with an insurance provider.

No class of financial instruments is excluded from investment consideration.

The Trustee has delegated the allocation between the various building blocks described above to the Fiduciary Manager subject to:

- the parameters set by the Trustee with minimum and maximum permitted allocations for the Fiduciary Manager to allocate to each building block and asset class (as detailed in the Appendices); and
- the overall investment objective return target being met.

5. Arrangement with the Fiduciary Manager

The Trustee has appointed the Fiduciary Manager to implement the Fund's investment strategy. The Fiduciary Manager manages assets directly on behalf of the Trustee and has delegated authority to appoint, monitor and change the Underlying Managers. The Fiduciary Manager is appointed to carry out its role on an ongoing basis.

The Trustee and Fiduciary Manager have agreed a Fiduciary Management Agreement setting out the scope of the Fiduciary Manager's activities, performance objectives, charging basis and other relevant matters. The Fiduciary Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with Section 36 of the Pensions Act 1995 and applicable requirements set out in the Investment Regulations.

The Trustee periodically reviews the overall value-for-money of using the Fiduciary Manager, and information in relation to costs associated with investing is included in a quarterly monitoring report prepared for the Trustee by the Fiduciary Manager. In addition, the Trustee also reviews the Fiduciary Manager on an annual basis against the Investment Consultant Objectives which the Trustee sets for the Fiduciary Manager. The Trustee is satisfied that these arrangements incentivise the Fiduciary Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve performance in the medium- to long-term.

6. Arrangement with the Underlying Managers

The Investment Regulations require the Trustee to disclose its policies in relation to its arrangements with the Underlying Managers appointed by the Fiduciary Manager.

The Trustee incentivises its Underlying Managers via the Fiduciary Manager to align their investment strategies with those of the Trustee as mentioned in the SIP. However, the Fund's investments are generally made via pooled investment funds, where the Fund's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, may not be aligned with the Trustee's investment policies.

Where it can be determined, the Fiduciary Manager carries out the following activities to incentivise the Underlying Managers. The activities include, but are not limited to:

- assessing whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives;
- reviewing Underlying Managers' investment performance against peers or relevant benchmarks;
- reviewing the ESG and stewardship activities of the Underlying Managers and assessing if they are aligned with the Trustee's investment policies in those areas.

The Trustee acknowledges that portfolio turnover and associated transaction costs are essential to investment management. As these costs are reflected in performance figures provided by Underlying Managers and the Fiduciary Manager (and the Trustee monitors this performance), the Trustee does not explicitly define targeted portfolio turnover or turnover range or monitor these.

There is typically no set duration for arrangements with Underlying Managers, and the method and time horizon for evaluating and remunerating them is determined by criteria set by the Fiduciary Manager.

7. Monitoring

The Trustee will monitor the performance of the Fiduciary Manager against the agreed performance objectives.

The Trustee, or any other suitably qualified adviser on behalf of the Trustee, regularly reviews the activities of the Fiduciary Manager to satisfy itself that the Fiduciary Manager continues to carry out its work competently, exercises its powers of investment with a view to giving effect to the principles in this SIP and has the appropriate knowledge and experience to manage the assets of the Fund.

If the Trustee is not satisfied that the Fiduciary Manager is aligned with its policies, it will consider making changes to the Fiduciary Manager's mandate as necessary.

8. Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the Fiduciary Manager to implement these instruments. Derivative instruments are typically used for risk management purposes in the portfolio.

9. Realisation of investments

The Trustee requires the maintenance of adequate investments in liquid or readily realisable assets to meet benefit payments as they become due, ensuring that the realisation of assets does not disrupt the overall investment strategy of the Fund. While the Fiduciary Manager is allowed to hold illiquid investments (as defined in the Fiduciary Management Agreement), the Trustee acknowledges these assets may take longer to realise. Therefore, the Trustee has set an overall limit of no more than 20% of Completion Growth assets for such investments and expects legacy private assets to be wound down over time.

The majority of assets the Fund holds can be realised easily when required. The Trustee will ensure that the Fiduciary Manager is made aware of the cashflow requirements of the Fund. The Fiduciary Manager will be responsible for ensuring that, in normal market conditions, sufficient assets are readily realisable to meet any disinvestments required by the Trustee to meet these cashflows.

10. Risk management

The Trustee will aim to find a balance between its risk appetite (the level of risk it is willing to take to meet its investment objectives) and its risk capacity (the extent to which it can afford to take on investment risk without compromising its ability to meet its long-term objectives). When assessing risk appetite and capacity, the Trustee will consider a range of factors, such as the strength of the employers' covenant, the agreed long-term objectives, the risk inherent in the Fund's liabilities, its cash flow needs and return requirements, among others.

The Trustee recognises a number of risks involved in the investment of the assets of the Fund. The Trustee will keep these risks and how they are measured and managed under regular review. The main risks include, but are not limited to:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - A liability benchmark or 'LB' is used as a proxy for the liabilities in order to measure the approximate changes in the present value of the Fund's liabilities (due to changes to the relevant gilt yields only). The Trustee monitors this change relative to the change in asset values on a quarterly basis. The LB is reviewed following each actuarial review, or when significant market or Fund events (e.g. a significant change in inflation expectations) occur.
  - The Trustee recognises the risk of a negative impact on the funding level due to changes in the Fund Actuary's assumptions. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
  - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LB and can therefore also be assessed as part of the quarterly review process.
  - This risk is also monitored through regular actuarial and investment reviews [including monthly portfolio updates].
- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
  - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
  - The use of instruments and strategies designed to control the extent of downside exposure.
  - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
  - Regular monitoring of the managers' performance, processes, and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Fiduciary Manager.
- **Cashflow risk** – the risk that the Fund is unable to meet benefit payments as they fall due. This risk is addressed through the monitoring of the cashflow requirement of the Fund to control the timing of any investment/disinvestment of assets. The Trustee has also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk caused by significantly high levels of benefit payments.
- **ESG risk including Climate risk** – the risk of adverse performance due to ESG-related factors including climate change. The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Fund's investments. The Trustee is supportive of the

Paris Agreement and will aim to achieve a carbon neutral portfolio (net zero) by 2040 or sooner. This risk is addressed by the following:

- Climate change scenarios being considered as part of the Trustee's regular review of investment strategy from time to time (if applicable).
- The Fiduciary Manager's ESG assessment at the point of investment with Underlying Managers.
- The Trustee monitoring the overall ESG characteristics including carbon metrics of the portfolio in the quarterly governance report.

- **Manager Risk** – the risk of adverse investment activity by the Underlying Managers. This risk is addressed through the diversification of the assets between Underlying Managers, the ongoing monitoring of the Underlying Managers and the negotiation of clearly defined investment management agreements (where relevant), containing a series of restrictions to limit the risks from each individual investment and prevent unsuitable investment activity.
- **Mismanagement risk** – the risk of unsuitable investment activity by the Fiduciary Manager. This is addressed in the Fiduciary Management Agreement, and in turn by the Fiduciary Manager with the Underlying Managers, which contains restrictions on the proportion and type of asset classes that the Fiduciary Manager or Underlying Managers may invest in.
- **Organisational risk** – the risk of inadequate internal processes leading to problems for the Fund. This is addressed through regular monitoring of the Fiduciary Manager and Advisers by the Trustee, and of the Underlying Managers by the Fiduciary Manager.
- **Custody and investment administration risk** – the risk of loss caused by the insolvency, negligence or fraudulent action of the custodian. This risk is addressed through the agreement with the custodian and ongoing monitoring of the custody and investment administration arrangements. Restrictions are applied limiting who can authorise transfers of cash and the account(s) to which transfers can be made.
- **Counterparty risk** – the risk of a counterparty to an agreement not carrying out its side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings. This is reduced by the diversification of the Fund's assets.
- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the Fiduciary Manager and Underlying Managers, e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- **Country/political risk** – the risk of an adverse influence on investment values from political intervention. This is reduced by diversification of the Fund's assets across many countries.

- **Currency risk** – the risk that fluctuations in the value of overseas currencies affect the total return of the Fund's investments when compared to Sterling liability payments. The Trustee mitigates this risk by electing to allow the Fiduciary Manager to use currency hedging.

- **Sponsor risk** – the risk of the Participating Employers becoming unable to support the Fund which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenants of the Participating Employers.
- **Longevity risk** – the risk associated with increasing life expectancy of pensioners, which can result in benefit payments being paid for longer than expected and hence a rise in liabilities. This risk is partially addressed by the Trustee having entered into a longevity risk transfer insurance agreement (a 'longevity swap'), which covers the 'whole of life longevity risk' for all the pensioner, dependant and associated contingent spouse population of the Fund at 31 March 2022 (with the Reinsurer taking on longevity risk from 1 October 2023).

11. Financially material investment considerations

Financial material considerations, which include (but are not limited to) ESG considerations (including, but not limited to, climate change), which the Trustee considers to be financially material.

The Trustee believes that certain ESG factors can have an impact on financial performance and part of its fiduciary duty is to incorporate this information into its investment decisions to reduce investment risk and enhance portfolio returns over the length of time needed for the funding of future benefits of the Fund. The Trustee considers a wide range of ESG risks, including corporate governance, human rights, labour and environmental standards , amongst others, and it believes that climate risk presents a material financial risk to the assets invested in its portfolio.

The Trustee currently does not have a standalone ESG policy but the Trustee's policy is to delegate the monitoring and overall management of financially material ESG risks and opportunities in relation to the selection, retention and realisation of investments to the Fiduciary Manager. The Trustee is comfortable with the delegation given the approach the Fiduciary Manager takes towards ESG and climate-related risks and opportunities is aligned with the Trustee's beliefs, which was confirmed on appointment of the Fiduciary Manager.

The Trustee will receive regular training and updates on ESG-related topics such as portfolio ESG reporting, voting and engagement examples on a quarterly basis through Trustee meetings. In addition, on an annual basis, the Trustee will review the ongoing suitability of the Fiduciary Manager's monitoring and management of ESG and climate-related issues via an ESG annual report and challenge or engage with the Fiduciary Manager as required on its approach. The activities included in the training material and reports contain essential information on how the Fiduciary Manager, on behalf of the Trustee, executes the Trustee's policy on financially material considerations in relation to the selection, retention and realisation of Fund's investments.

The Trustee delegates the integration of climate-related risks into the investment process to the Fiduciary Manager. The Fiduciary Manager provides regular updates for the Trustee to:

- understand the exposure of its investments to climate change in the quarterly monitoring report, and
- ensure that new and existing investments take account of climate change risks and opportunities.

The Trustee expects its Fiduciary Manager to take their policy into account as part of manager selection.

12. Non-financially material investment considerations

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making decisions regarding the selection, retention and realisation of investments as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

13. Stewardship

The Trustee is responsible for developing its own stewardship policy which includes both voting (where applicable) and engagement. The Trustee believes proper stewardship will result in better management of financially material ESG and climate-related risks and opportunities. This is expected to improve the long-term financial outcomes of the Fund which ultimately is in the best interests of the Fund's members and beneficiaries. The Trustee expects its Fiduciary Manager to be a signatory to the UK Stewardship Code. The Fiduciary Manager is a signatory to the UK Stewardship Code which sets high standards for those investing money on behalf of UK pensioners and savers. The Trustee has posted its Statement of Commitment to the Stewardship Code on its own website.

The Trustee has received training on the Fiduciary Manager's approach to stewardship. The Fiduciary Manager has its own voting and engagement policies documented in its Engagement Blueprint which sets out six sustainability themes to prioritise and which guides the voting and engagement behaviours of the Fiduciary Manager. Therefore, to ensure focused voting and engagement with the Underlying Managers, the Trustee has chosen to align its stewardship priorities with those of the Fiduciary Manager as set out below:

Engagement theme	Engagement rationale / objective
Climate	Companies urgently need to transform the economy to avoid the most catastrophic effects of climate change on people and the planet and adapt to future temperature rises.
Corporate Governance	Strong governance policies and practices ensure that businesses act in the best interest of shareholders and other key stakeholders in order to drive long term sustainable value creation.

Human Capital Management	People in an organisation are a significant source of competitive advantage. Effective human capital management is essential to drive innovation and long-term value creation.
Human Rights	Businesses involved in human rights controversies could face higher operational and financial risks and could suffer damages to their reputation. Respect for human rights is also an important foundation in building resilient supply chains and forging business stability.
Inclusion and Diversity	Diversity across multiple dimensions brings a valuable range of outlooks and opinions, and when paired with an inclusive culture, can lead to higher quality work, better decision making and problem solving, and greater team satisfaction.
Natural Capital and Biodiversity	Natural capital and biodiversity loss could mean businesses, banks and investors face increased insurance risks, higher costs of capital and a loss of investment opportunities. Furthermore, regulatory and policy pressures could have direct revenue impacts.

The Trustee expects the Fiduciary Manager to take the Trustee's policy and stewardship priorities into account as part of its own stewardship activities and manager selection.

The Trustee reviews, monitors and challenges the Fiduciary Manager where necessary in relation to the voting and engagement activities of the Fiduciary Manager and the Underlying Managers.

14. Legal Duties

Trust law requires that the Trustee must exercise its powers of investment in the best interests of the members, which will normally mean their best financial interests. Its powers must therefore be exercised to aim to yield the best return, consistent with the need for prudence.

Section 36(1) of the Pensions Act 1995 requires that the Trustee must exercise its powers of investment in accordance with the Investment Regulations. Regulation 4 of the Investment Regulations requires:

- The assets must be invested in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.
- The powers of investment must be exercised in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

- Assets held to cover the Fund's Technical Provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.
- The assets of the Fund must consist predominantly of investments admitted to trading on Regulated Markets (as defined by the Investment Regulations) and investment in any assets not so admitted must be kept to a prudent level.
- The assets of the Fund must be properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings and to avoid accumulations of risk in the portfolio. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Fund to excessive risk concentration. To the extent that the assets of the Fund consist of Qualifying Insurance Policies (as defined by the Investment Regulations), these policies shall be treated as satisfying the requirement for proper diversification when considering the diversification of assets as a whole.
- Investment in Derivative Instruments (as defined by the Investment Regulations) may be made only in so far as they contribute to reduction of risks or facilitate efficient portfolio management, and any such investment must be made and managed to avoid excessive risk exposure to a single counterparty and to other derivative operations. The managers appointed by the Fund have the flexibility to use futures, options, warrants, swaps, repurchase agreements and other derivative instruments. Derivative instruments may be exchange-traded or over-the-counter.

Section 36(3) of the Pensions Act 1995 requires the Trustee to obtain and consider proper advice on the question of whether the investment is satisfactory, having regard to the requirements of the Investment Regulations, so far as relating to the suitability of investments, and to the principles contained in this Statement. Broadly, the reference to the need for proper advice is a reference to the need to obtain advice from a person authorised to give it by the Financial Conduct Authority.

To the extent required by law, ultimate responsibility for the investment of the assets of the Fund, including responsibility for securing compliance with the requirements of Section 36 of the Pensions Act 1995, rests with the Trustee. The Trustee's policy for securing compliance with the requirements of Section 36 of the Pensions Act 1995 is to ensure that those persons involved in making decisions about investments are familiar with the requirements of that Section and of the Investment Regulations and have the appropriate knowledge and experience to perform the responsibilities delegated to them. Certain powers and responsibilities of this Statement have been delegated to the Fiduciary Manager.

Date: 14 May 2025

For and on behalf of the Trustee of the Merchant Navy Ratings Pension Fund.

Appendix 1. Portfolio Building Block Restrictions

	Minimum (%)	Maximum (%)
Completion Growth Assets	0	45
Legacy Private Assets	0	45
Structured Equity	0	25
Contractual Assets (“CDI")	0	25
Liability Hedging Assets	20	50

Appendix 2. Completion Growth Asset Class Restrictions

Asset class	Minimum (%)	Maximum (%)
Equities	0	100
Return seeking credit	0	100
Alternatives	0	100
Cash & sovereign bonds	0	100
Additional constraints	**Minimum (%)**	**Maximum (%)**
Illiquid Investments	0	20