Statement of Investment Principles

For the Trustees of the Heerema Retirement Benefits Scheme

December 2021

Contents

01 Introduction

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Heerema Retirement Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustees or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Consultant – An organisation appointed by the Trustees to provide advice on the investment strategy and implementation of the strategy;

Investment Manager – An organisation appointed by the Trustees to manage investments on behalf of the Scheme;

Principal Employer – Heerema Staffing UK Limited;

Recovery Plan - The agreement between the Trustees and the Principal Employer to address the funding deficit;

Scheme – The Heerema Retirement Benefits Scheme;

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trust Deed and Rules - the Scheme's Trust Deed and Rules as subsequently amended;

Trustees – the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 Strategic investment policy and objectives

Choosing investments

The Trustees have selected a bulk annuity (also known as buy-in) policy with Aviva through which benefits due under the Scheme are secured. The selection of the bulk annuity policy was made having taken written investment advice. The advice covered the suitability of the Insurance policy, whether there was any need for diversification given Scheme circumstances and the principles within this Statement.

The Trustees also retain control over the AVCs offered to members.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The primary investment objective of the Trustees is to ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

Investment Policy

Following advice from the Investment Consultant, the Trustees have set the investment policy with the objective of buying-out the Scheme's liabilities with the Insurance Provider. The Trustees have taken the step to meet the investment objective by purchasing a bulk annuity policy with the view to securing a buy-out of the liabilities as soon as practicable.

The investment policy the Trustees have adopted is detailed in the Appendix.

Range of assets

The majority of the Scheme's assets are invested through a buy-in policy.

The Trustees have no direct influence on the range of assets which support the payments under the policy. The Insurance Provider will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. Although there is a concentration of assets in the buy-in arrangement, the Trustees deem this concentration appropriate as it closely matches the objective of the Scheme.

In addition to the buy-in policy, the Scheme also holds cash assets with Aviva.

Based on the structure set out in the Appendix, the Trustees consider the arrangements with the Insurance Provider to be aligned with the Scheme's overall strategic objectives. Details of these mandates are set out in agreements and pooled fund documentation with the Insurance Provider.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

The Insurance Provider is incentivised to perform in line with expectations for their specific mandate to enable the Insurance Provider to meet all of the benefits insured and comply with regulatory and capital requirements.

As the assets of the Scheme are invested in a buy-in policy, with a view to securing a buy-out as soon as practicable, the Trustees have delegated to the Insurance Provider the responsibility to make decisions in the long-term interests of the Scheme. The Trustees expect the Insurance Provider to engage with management of the underlying issuers of debt or equity and the exercising of any voting rights attached to the assets they hold. This expectation is based on the belief that such engagement can be expected to help the Insurance Provider to mitigate risk and improve long term returns and objectives. As covered in more detail in the responsible investment section, the Trustees have also delegated to the Insurance Provider the responsibility for taking the impact of ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term.

03 Responsible investment

The Trustees stance on responsible investment is now a direct consequence of the Scheme's short term time horizon as it prepares for buy-out. As the majority of assets of the Scheme are invested with an Insurance Provider in a buy-in policy, ESG factors are not expected to have a material impact on investment risk and return outcomes over the time horizon of the investment. However, the Trustees have delegated to the Insurance Provider the responsibility for assessing any impact of ESG factors when making investment decisions in relation to the assets it holds to support the buy-in policy.

As the Scheme invests in a buy-in policy, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the buy-in policy is invested. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Insurance Provider . The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Insurance Provider to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of the Insurance Provider engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation then the Trustees may consider terminating the relationship.

04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme (however most of these are mitigated directly by the buy-in policy):

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position and the risk the insurer become insolvent.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustees cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).

Inappropriate investments - The risk that an Insurance Provider invests in assets or instruments that are not considered to be appropriate.

Counterparty risk – The risk that a third party fails to deliver cash or other assets owed to the Scheme.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

05 Realisation of assets and investment restrictions

Realisation of investments

The Scheme has secured a buy-in insurance policy with the Insurance Provider which provides payments meeting the benefits due under the Scheme.

The Trustees hold the remaining assets in cash to meet impending anticipated Scheme expenses.

Investment restrictions

The Trustees have established the following investment restrictions:

> The Trustees or the Investment Managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;

> Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;

> Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

06 Investment Manager Arrangements and fee structure

Investment Manager Arrangements and fee structure continued

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in the Appendix.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Given that the majority of the Scheme's assets have recently been invested in a buy-in policy with an Insurer then the appointment of these mandates is not expected to be long-term.

Such reviews typically include analysis of an Investment Manager's performance, processes and remuneration. Due to the Scheme targeting a buy-out of the liabilities as soon as practicable, then the requirement for the Trustees to undertake this full review process is not considered necessary.

Portfolio turnover

Given that the Trustees have secured a policy, the portfolio turnover on the underlying assets and costs for this policy is a matter for the Insurance Provider, Aviva.

07 Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations. The investments in the AVC Funds are not material in relation to the Schemes DB investments.

The investment funds were provided by Aberdeen Standard Investments.

The Trustees selected these vehicles as they were believed to meet the Trustees' objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with their reasonable expectations.

Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of the monitoring of performance and process. The Trustees will review the appointment of the AVC providers periodically in the light of their performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Investment Consultant, to ensure the assets of the Scheme are invested in accordance with these Principles.

Appendix I
Investment Strategy & Structure

Overall strategy

On 30 November 2021, the Scheme completed c98% of the proposed buyout transition of assets to Aviva through a bulk annuity purchase to cover all member benefits. The remaining assets will be transferred during 2022.

The below outlines a summary of the premium paid to Aviva in relation to the buyout and the value of the assets yet to be transferred.

Payment	Amount (£)
Payment to Aviva from Schroders disinvestment	37,259,362.46
Payment from Company to Aviva	1,367,694.75
Payment to Aviva from Trustee bank account	269,889.51
Total paid to Aviva	38,896,946.72
Amount retained in Trustee bank account	250,000.00
Total	39,146,946.72
Amount of premium deferred	1,048,917.28

Realising investments

Where assets need to be realised, the Insurer provides cash to the administrator to meet benefit payments due.

Contact us
xpsgroup.com