



The PGS (UK) Pension Fund

Statement of Investment Principles

As at July 2024

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Executive Summary

This Statement of Investment Principles ("the Statement") has been commissioned by and addressed to the Trustee of The PGS (UK) Pension Fund ("the Scheme").

For the purposes of this document Trustee refers to the Trustee of the Scheme.

This document has been prepared by Simon Cohen of Spence and Partners Limited, in his capacity as appointed Investment Consultant to the Scheme.

It has been prepared to comply with Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and as amended by subsequent regulations.

For the purposes of this report, Petroleum Geo-Services (UK) Limited is referred to as the "Sponsor".



Introduction

This Statement sets out the principles governing decisions about investments for the Scheme and supersedes the previous Statement prepared by the Trustee.

In preparing this Statement, the Trustee has:

1. Consulted with the Sponsor, although responsibility for maintaining this Statement and setting investment policy rests solely with the Trustee.
2. Obtained and considered written professional advice and recommendations from Spence and Partners Limited ("Spence") who are the Trustee's appointed Investment Consultant. Spence is authorised and regulated by the Financial Conduct Authority ("FCA"). It has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Pensions Acts.

The Trustee will review this Statement at least once every three years to coincide with the triennial actuarial valuation or other advice relating to the statutory funding requirements. If there are any significant changes in any of the areas covered by this Statement, the Trustee will review it without further delay. Any changes made will be based on written advice from a suitably qualified individual and will follow on from consultation with the Sponsor.

The Scheme is a defined benefits ('DB') plan. The Trustee's investment powers are set out in rule 15 of the Trust Deed and Rules dated 1 January 2016. This Statement is consistent with those powers.



Investment Objectives

The Trustee's overall investment policy is guided by the following objectives:

- 1.** The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.
- 2.** The Trustee has considered the Sponsor's covenant and has taken a long-term view to setting its funding and investment objectives. The Trustee is aware of the relationship between the investments held and the funding level of the Scheme liabilities and believes that its investment objectives and the resultant strategy are consistent with the valuation of those liabilities.

The Scheme Actuary has confirmed during the process of revising the investment strategy that the investment objectives and resultant strategy are consistent with the actuarial valuation methodology and assumptions used in the statutory funding objective.



Investment Responsibilities

The Trustee

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee. Therefore, the Trustee is responsible for the setting the investment objectives and determining the strategy to achieve those objectives. It sets the overall investment target and then monitors the performance of its investment managers against the target. In doing so the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

Its duties and responsibilities include but are not limited to:

- Regular approval of this Statement and monitoring compliance with this Statement
- Appointment, removal (where applicable) and review of their investment managers or investment adviser and their performance relative to relevant benchmarks
- Assessment of the investment risks run by the Scheme
- Monitoring and review of the asset allocation

Investment Adviser's Duties and Responsibilities

The Trustee has appointed Spence as its investment consultant. Spence provides advice when the Trustee requires it and/or when Spence feels it suitable to do so. Areas on which it can provide advice are as follows:

- Setting investment objectives
- Determining strategic asset allocation
- Determining suitable funds and investment managers
- Managing cashflow

It should be noted that the Trustee retains responsibility for all decisions.

Spence are remunerated for its services through a fund-based charge based on the value of the Scheme's assets. This charge covers all investment services as defined in the consulting services contract.

Any extra services provided by Spence will be remunerated on a time cost or fixed fee basis.

Spence does not receive any commission or any other payments in respect of the Scheme for investment services that will affect the impartiality of its advice.

The Trustee is satisfied that this is a suitable adviser compensation structure.

Investment Managers' Duties and Responsibilities

The Trustee, after considering suitable advice, have appointed two investment managers to manage the assets of the Scheme via the Legal & General Investment Management Limited ("LGIM") investment platform.

The underlying investment managers are detailed in Appendix 1 of this Statement. These investment managers are authorised and regulated by the FCA and are responsible for stock selection, asset allocation (if managing a multi-asset portfolio) and the exercise of voting rights. All the underlying managers are compensated by fund-based charges on the value of the Scheme's assets that they hold.

The Scheme's agreed asset allocation is defined in the Appendix 1.



Setting the Investment Strategy

The Trustee has determined its investment strategy after considering the Scheme's liability profile, its own appetite for risk and the views, risk appetite and covenant of the Sponsor. It has also received written advice from its investment consultant.

Types of Investment

The Scheme's assets are invested on behalf of the Trustee by LGIM, through an investment platform, with underlying investment managers.

The Trustee is permitted to invest across a wide range of asset classes, including but not limited to equities, bonds, cash, property and alternative asset classes. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

Trustee will monitor from time-to-time the employer-related investment content of its portfolio as a whole and will take steps to alter this should it discover this to be more than 5% of the portfolio.

Balance Between Different Types of Investment

The Scheme invests in assets that are expected to achieve the Scheme's objectives detailed previously. The allocation between the different asset classes is shown in the Appendix 1 of this Statement.

The Trustee has considered the merits of both active and passive management for the different elements of the asset allocation and selected suitable types of management for each asset class. The current managers are shown in Appendix 1.

From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected events.

The Trustee may also hold insurance policies which are for the benefit of certain members to match part or all of their liabilities.

Expected Return on Investments

The Trustee has noted the long-run relationships that exist between the returns from different asset classes and has noted the different expected risk/return characteristics of the various different asset classes.

In particular it has noted that equities can be expected to deliver a greater long-run real return (over price inflation) than that expected from fixed interest gilts, index-linked gilts or cash but that typically equities are the most volatile asset class in terms of market returns on an annual basis.

The Trustee's chosen policy is to get a balance between stabilising the Scheme's funding level and pursuing higher expected return to improve the Scheme's funding level.

Realisation of Investments

The Scheme's assets are invested in pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary.

Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during

which the benefits are provided by the Scheme for members. Such matters are assessed for materiality and impact within a broader risk-management framework, which take account of the Trustee's funding timeframe and views on the Sponsor's covenant.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its investment managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the each of the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and their investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

Non-Financial Material Considerations

The Trustee has not considered non-financial material matters in the selection, retention and realisation of investments.

Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the investment managers to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

Investment Manager Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustee's policies

The Scheme invests in pooled funds and so the Trustee acknowledges that the funds' investment strategies and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the investment managers' incentive.

The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers' voting and ESG policies and how they engage with a company as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustee expects its managers to make every effort to engage with investee companies but acknowledges that the managers' influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but does expect by investing in those companies with better financial and non-financial performance over the long term that this will lead to better returns for the Scheme.

The Trustee believes that the annual fee paid to the investment managers incentivises them to do this.

If the Trustee feels that the investment managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for investment management services are in line with the Trustee's policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The investment managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustee's policies.

How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is also monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to its investment consultant.

The duration of the arrangement with the investment managers

The Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the investment managers can lead to the duration of the arrangement being shorter than expected.

Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of AVC providers are included in Appendix 1. From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Risks

The Trustee is aware and seeks to take account of a number of risks in relation to the Scheme's investments. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. Overall, the Trustee measures and monitors its risks by receiving quarterly monitoring reports which report on the performance of their assets, its managers and the movements in the Scheme's liabilities. The key risks and the policies are as follows:

Solvency and Mismatching Risk	This is measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities. The risk is managed by setting a scheme specific asset allocation with an appropriate level of risk.
Concentration Risk	This is measured by comparing the underlying asset allocation to the strategic asset allocation. It is managed through the diversification of the Scheme's assets across a range of different funds with different investment styles and underlying securities, and different investment managers.
Investment Manager Risk	This is assessed as the deviation of actual risk and return relative to that specified in the investment manager's objectives. It is measured by monitoring on a regular basis the actual deviation of returns relative to investment manager's agreed objectives and an assessment of factors supporting the managers' investment process.
Sponsor Risk	This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.
Liquidity Risk	<p>This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Scheme's administrators will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy.</p> <p>The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme invests in assets that there are invested in quoted markets and are as readily realisable as the Trustee feels suitable given the Scheme's cashflow position and the expected development of the liabilities.</p>

Currency Risk	The Scheme’s liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.
Loss of Investment Risk	There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustee undertakes regular reviews of the internal controls and processes of the investment managers.
Environmental, Social and Governance (ESG) and Climate Change Risks	There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.



Compliance

The Trustee confirms that it has received and considered written advice from Spence on the establishment and implementation of its investment strategy.

The Trustee confirms that it has consulted with the Sponsor regarding its strategy. Copies of this Statement and any subsequent amendments will be made available to the Sponsor, the investment managers, the Scheme Actuary and the Scheme auditor upon request.

The Trustee will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

NAME (block capitals) Gayle Nelson

Signed

Trustee

Signed for and on behalf of the Trustee of The PGS (UK) Pension Fund

Date of Signing: 08/07/2024

NAME (block capitals) Gareth Jones

Signed

Trustee

Signed for and on behalf of the Trustee of The PGS (UK) Pension Fund

Date of Signing: 08/07/2024



Appendices

Appendix 1: Strategic Asset Allocation

The Scheme has a strategic asset allocation as set out in the table below:

Portfolio	Allocation	Asset Class	Allocation
Equity	7%	World Equity (hedged)*	2%
		Emerging Market Equity	5%
Corporate Bonds	17%	Corporate Bonds	17%
Multi Asset Credit ("MAC")	5%	Multi Asset Credit	5%
Index Linked Gilts	48%	Over 15 Year Index-Linked Gilts Index Fund	43%
		All Stocks Index-Linked Gilts Index Fund	5%
Fixed Gilts	20%	All Stocks Gilts Index Fund	10%
		Over 15 Year Gilts Index Fund	10%
Property	2%	Property	2%
Diversified Growth Fund ("DGF")	1%	DGF	1%
Total	100%		100%

Note: *It should be noted that the World Equity exposure will be currency hedged.

Rebalancing and Cashflow management

The Trustee recognises that the asset allocation of investments will vary over time due to market movements. The Trustee seeks to keep the asset allocation in line with its benchmark but is cognisant of the costs of rebalancing.

Where possible, cash outflows will be met from the income of the Scheme's assets to minimise transaction costs. Where income is insufficient monies will be raised through the sale of assets so as to move the allocation closer to the central benchmark allocation subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required. Similarly, where cashflows in are received, the money will be invested in such a way as to bring the allocation into line with the central benchmark allocation.

Investment Managers

The Trustee has invested the Scheme assets through an insurance policy with LGIM. LGIM provides investment administration for the Scheme and so carries out the day-to-day management of the underlying investment managers.

The table below shows the investment managers appointed to carry out the day-to-day management of the assets, as well as the funds that they manage, their benchmarks and relevant objectives.

Underlying Investment Manager	Fund	Benchmark	Objective
Legal & General Investment Management	World Equity Index Fund - GBP Currency Hedged	FTSE World Index – GBP Hedged (excluding advanced emerging markets)	Track benchmark to within +/- 0.5% p.a. gross of fees for 2 out of 3 years
	Investment Grade Corporate Bond Over 15 Year Index Fund	Markit iBoxx £ Non-Gilts Over 15 Year Index	Track benchmark to within +/- 0.5% p.a. gross of fees for 2 out of 3 years
	Global Real Estate Equity Index Fund	FTSE EPRA/NAREIT Developed Real Estate Index	Track benchmark to within +/- 1.0% p.a. gross of fees for 2 out of 3 years
	Dynamic Diversified Fund (DGF)	Bank of England Base Rate	+4.50% p.a. gross of fees over a full market cycle
	Over 15 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 15 Years Index	Track benchmark to within +/-0.25% p.a. for 2 out of 3 years
	All Stocks Gilts Index Fund	FTSE Actuaries UK Conv Gilts All Stocks Index	Track benchmark to within +/-0.25% p.a. for 2 out of 3 years
	Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Yrs Index	Track benchmark to within +/-0.25% p.a. for 2 out of 3 years
	All Stocks Index-Linked Gilts Index Fund	FTSE Actuaries UK I-L Gilts All Stocks Index	Track benchmark to within +/-0.25% p.a. for 2 out of 3 years
M&G Investments	World Emerging Markets Equity Index Fund	FTSE Emerging Index	Track to within +/- 1.50% p.a. for two years out of three
	Total Return Credit Investment Fund (MAC)	SONIA	+3 to 5% p.a. gross of fees over a cycle

The underlying investment managers' performance will be monitored on a quarterly basis.

Clerical Medical Investment Group Limited, The Equitable Life Assurance Society Limited and Legal & General are appointed to manage the AVCs.

Fees

The fee arrangements for the investment managers are summarised below:

Underlying Investment Manager	Fund	Annual Management Charge % p.a.
Legal & General Investment Management	All Stocks Index-Linked Gilts Index Fund	0.050% p.a.
	All Stocks Gilts Index Fund	0.050% p.a.
	Over 15 Year Index-Linked Gilts Index Fund	0.050% p.a.
	Over 15 Year Gilts Index Fund	0.050% p.a.
	World Equity Index Fund - GBP Currency Hedged	0.130% p.a.
	Investment Grade Corporate Bond Over 15 Year Index Fund	0.115% p.a.
	Global Real Estate Equity Index Fund	0.250% p.a.
	Dynamic Diversified Fund	0.375% p.a.
	World Emerging Markets Equity Index Fund	0.280% p.a.
M&G Investments	Total Return Credit Investment Fund	0.480% p.a.*

*The fee set out above is inclusive of the 0.03% per annum LGIM platform hosting fee.

The Annual Management Charges ("AMCs") quoted for assets held on the LGIM platform include the underlying managers' AMCs and the platform fee LGIM charges.

Spence are remunerated on a basis point basis (i.e. as a percentage of the Scheme's assets), although additional fees may be agreed for specific projects.

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