Repsol Sinopec Pension and Life Scheme

Statement of Investment Principles

1. Introduction

1.1 This Statement has been prepared by 20-20 Trustee Services Limited ("the Trustee"), Trustee of the Repsol Sinopec Pension and Life Scheme (the "Scheme"). It sets out the principles that govern the Trustee's decisions about the investment of the Scheme's assets. The Trustee refers to this Statement when making investment decisions, to ensure that they are consistent with these principles.

1.2 This Statement is designed to meet the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

1.3 In preparing this Statement, the Trustee has obtained written advice from the Scheme's Investment Consultant. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee will obtain similar advice whenever this Statement is reviewed.

1.4 The Trustee's investment powers are set out within the Scheme's governing documentation and relevant legislation. If necessary, the Trustee will take legal advice regarding the interpretation of these. The Trustee notes that, according to the law, they have ultimate power and responsibility for the Scheme's investment arrangements.

1.5 The Trustee seeks to maintain a good working relationship with the sponsoring Company, Repsol Sinopec Resources UK Limited and the Trustee will discuss any proposed changes to this Statement with the Company. However, the Trustee's fiduciary obligations to Scheme members will take precedence over the Company's wishes, should these ever conflict.

1.6 The Trustee believes that its investment policies and their implementation are in keeping with best practice, including the Investment Governance Group principles for pension scheme investment governance.

1.7 The Trustee will review this Statement annually, and without delay if there are relevant, material changes to the Scheme and/or the Company.

2. Scheme Governance

2.1 The Trustee has appointed a firm of professional consultants, Mercer (the “Investment Consultant”), to provide relevant advice to the Trustee. The Trustee also takes advice as appropriate from the Scheme Actuary and other professional advisers.

2.2 The ultimate responsibility for investment matters rests with the Trustee. Some aspects of the Scheme’s investment arrangements are delegated to third party service providers in order to manage the Scheme’s affairs effectively.

2.3 The Trustee retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the Scheme’s asset allocation benchmark and investment manager structure. The Trustee makes these decisions after considering recommendations from the Trustee’s Investment Consultant.

2.4 The investment managers are responsible for day-to-day management of the Scheme’s assets in accordance with guidelines agreed on behalf of the Trustee. They have discretion to buy, sell or retain individual securities in accordance with these guidelines. The Trustee uses its Investment Consultant, Mercer, to report on the performance of the investment managers quarterly and to calculate return and risk measures for each manager’s portfolio and for the assets in aggregate.

2.5 The Trustee invests the main assets of the Scheme in pooled fund arrangements operated by Majedie Asset Management Investment Fund Company (“Majedie”), Veritas Asset Management (“Veritas”), Legal & General Investment Management (“Legal & General”), Baillie Gifford & Co. Limited (“Baillie Gifford”) and Insight Investment (“Insight”). Majedie manage the UK Equity assets, Veritas manage a Global Equity mandate for the Scheme, whilst Legal & General manage Global Equity assets on a passive basis. Baillie Gifford manage assets held in a Diversified Growth Fund (“DGF”) and Insight manages bonds (index-linked gilts, fixed interest gilts and corporate bonds) on behalf of the Scheme.

2.6 The Scheme’s investment arrangements are described in more detail in the Appendix. This includes a listing of the Scheme’s current investment managers, including a description of their mandates and benchmarks, and the fee levels for each fund.

2.7 Fees for the Investment Consultant are determined on an annual retainer basis, with agreed fees for particular projects.

3. Investment Objectives

3.1 The Trustee’s primary investment objective is to invest the Scheme's assets in such a manner that members’ benefit entitlements can be paid as and when they fall due.

3.2 In doing so, the Trustee will take into consideration the level and variability of the contributions from the sponsoring Company.

4. Risk and Return Targets

4.1 In assessing the amount of risk to take relative to the liabilities, the Trustee received advice from the Investment Consultant and Scheme Actuary, and held discussions with the Company. In particular, the following possible consequences were considered:

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in a deterioration in the Scheme's financial position and consequently higher contributions from the Company than are currently expected.

- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk is not taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Scheme. This consequence is particularly serious if it coincides with the Company being unable to make good the shortfall.

- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the Company contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

4.2 Taking into account the risks faced by the Scheme, as part of the Actuarial Valuation exercise as at 31 March 2015, the Trustee has entered into an agreement dated 18 October 2016 (the "Funding Agreement") and a subsequent Deed of Agreement dated 5 April 2019 with the Company and parent companies of each Shareholder of the Company (Addax Petroleum Holdings Limited ("Addax") and Repsol Exploración, S.A. ("Repsol"), together the "Guarantors"). The Funding Agreement sets out certain matters agreed in connection with the funding of the Scheme post 31 March 2015 Actuarial Valuation.

4.3 In particular, the Funding Agreement sets out the details of the agreed schedule of contributions payable by the Company, the Recovery Plan, and also the details of additional special contributions required to be paid by the Company under certain circumstances in order to (i) achieve full funding on a flat Gilts basis by the Negative Cash Flow Date (as defined in the Funding Agreement) and (ii) each year, post the Negative Cash Flow Date, maintain at least full funding on the flat Gilts basis.

4.4 Importantly, the Guarantors have provided several and proportionate guarantees and indemnities in respect of the Company's payment obligations.

4.5 The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company (and the guarantees provided by the Guarantors) and its willingness and ability to contribute appropriately to the Scheme. The financial strength of the Company and its perceived commitment to the Scheme, together with the strength of the guarantees provided by the Guarantors, are monitored by the Trustee.

4.6 Taking into account the points of principle set out in the Funding Agreement and after taking advice from the Investment Consultant and Scheme Actuary, the Trustee has agreed an investment and funding plan for the Scheme with the Company in order to meet the Trustee's objectives as set out in Section 3 above. This involves targeting an investment return of approximately 3% p.a. over that of the Scheme's liabilities until the Company becomes cashflow negative (the "Negative Cash Flow Date" as defined in the Funding Agreement) and a return of approximately 1% p.a. above the liabilities thereafter.

4.7 Having regard to the above, and after taking advice from the Investment Consultant and Scheme Actuary, the Trustee is satisfied that the spread of assets by type and the investment managers’ policy on investing in individual securities within each type provides adequate diversification of investments.

5. Management of Risks

5.1 In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which it expects to be rewarded for over time, in the form of excess returns. The Trustee believes that diversification helps to manage the risks by limiting the impact of any single risk.

5.2 Among the asset classes that the Trustee has considered for the Scheme’s investments are:

5.2.1 UK Government bonds – although UK Government bonds are the lowest risk asset relative to the Scheme’s liabilities, they are not risk free. *Interest rate risk* exists if the cash flow profile of the UK Government bonds held differs from that of the projected liabilities. *Inflation risk* exists if the assets and projected liabilities have different linkages to inflation.

5.2.2 Other bonds – in addition to interest rate risk and inflation risk, investing in certain bonds may introduce *credit risk* and *currency risk*. Credit risk reflects the possibility that the payments due under the bond might not be made by the borrower. Currency risk will arise through investment in non-Sterling bonds, given the Scheme’s liabilities are denominated in Sterling, because changes in exchange rates will impact the relative value of the assets.

5.2.3 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities is captured in the form of the *equity mismatch risk*. The equity mismatch risk may be broken down into the credit risk of the underlying company, and the *volatility risk* associated with the stability of the price of the equity as well as currency risk for equities denominated in currencies other than Sterling among other risks.

5.3 For the above asset classes, a mix of active and passive management is employed. The Trustee believes that the investment managers which have been selected to manage assets on an active basis have the skill and judgement to add value net of fees. Active management gives rise to *active risk*, examples of which are:

5.3.1 Active management within an asset category, defined as holding a combination of securities that differs from the asset class benchmark.

5.3.2 Active management across asset categories, which arises when the combination of asset categories held differs from that of the benchmark.

5.3.3 Skill-based investment strategies, e.g. market-neutral and arbitrage strategies, which are usually largely made up of active risk.

5.4 Across all of the Scheme's investments, The Trustee is aware of the potential for regulatory and political risks. *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes. This risk is managed by ensuring that the asset portfolios are diversified across a number of different countries and regions.

5.5 *Liquidity risk* refers to the ease with which assets are marketable and realisable. The Trustee recognises that there is *liquidity risk* in holding assets that are not readily marketable and realisable. The Trustee therefore manages this risk by ensuring that it invests only in pooled funds which deal daily and are therefore realisable at short notice.

5.6 *Concentration risk* arises when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers. The overall investment arrangements are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class, to reduce this risk.

6. Strategic Investment Benchmark and Investment Manager Structure

6.1 The Trustee has established a strategic investment benchmark for the Scheme. This is a high-level asset distribution for the Scheme's investments. The following table provides a summary:

Asset Class	Benchmark (%)	Benchmark Index
UK Equities	6.0	FTSE All Share
Global Equities (including UK)	17.5	FTSE World (GBP Hedged)
Global Equity (including UK)	17.5	MSCI World
Diversified Growth Fund	17.5	UK Base Rate
Corporate Bonds	17.5	iBoxx £ Over 10 Year Non Government
Fixed Interest Gilts	12.0	FTSE UK Gilts Over 15 Year
Index Linked Gilts	12.0	FTSE Over 5 Year Index Linked Gilts
Total	**100.0**	

6.2 Details of the managers' mandates are set out in the Appendix to this Statement.

7. Cashflow Policy

7.1 As and when cashflow investments or disinvestments are required, based on advice from the Investment Consultant, the Trustee will review the balance of assets between the Scheme's managers and asset classes and seek to ensure that the Scheme's asset allocation remains close to the strategic benchmark by directing positive cashflow to, or disinvestments from, the appropriate manager(s).

8. Investment Manager Structure and Investment Managers

8.1 Day-to-day management of the assets is delegated to professional investment managers who are all regulated by the Financial Conduct Authority (the "FCA").

8.2 The investment managers have full discretion to buy and sell investments within the pooled funds they operate on behalf of the Scheme, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Scheme to a specific mandate. The Appendix gives details of each manager, and their mandate.

8.3 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, notwithstanding how the assets are managed, appropriate legal and investment advice is taken regarding the suitability of the investment management agreements and relevant investment vehicles.

8.4 The Trustee assesses the continuing suitability of the Scheme's investment managers. The Investment Consultant provides help in monitoring the investment managers, both in the form of written reports and attendance at meetings. Each manager's performance is measured quarterly on a net of fees basis to assess their success in achieving their investment target above the benchmark. In addition, the Trustee takes advice from the Investment Consultant to help them assess the likelihood of these managers producing future outperformance (net of fees) in excess of a passive approach (as outlined in section 5.3). Should the Trustee believe the manager is not able to achieve outperformance going forward, then the manager's appointment will be reviewed (as outlined in section 10).

9. Environmental, Social and Corporate Governance

9.1 The Trustee believes that good stewardship, environmental, social and corporate governance ("ESG") issues may have an impact on investment returns. The Trustee also recognises that long-term sustainability issues, including climate change, present risks as well as opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Scheme, including how the Scheme's investment strategy is expected to evolve when considering how to integrate these issues into the investment decision making process.

9.2 As assets of the Scheme are managed in pooled arrangements, the Trustee accepts that the assets are subject to each of the investment managers' respective policies on social, ethical or environmental (including climate change) considerations relating to the selection, retention and realisation of investments.

9.3 The Trustee considers that it is appropriate for investment managers to take account of social, environmental and ethical considerations insofar as they believe such considerations will benefit performance or reduce risk. The Trustee therefore encourages the investment managers to discharge their responsibilities in respect of investee companies in accordance with the principles underlying the UK Stewardship Code.

9.4 The Trustee aims to review the investment managers' voting policies and compliance with the Stewardship Code on an annual basis. The Trustee also monitors the investment consultant's ESG ratings that are assigned to the respective investment managers' funds.

9.5 The Trustee does not explicitly consult members when making investment decisions. The Trustee does not intend to consider non-financial matters in the selection, retention and realisation of investments.

10. Investment Manager Monitoring And Engagement

10.1 The Trustee's policy in relation to the arrangements with their investment managers is set out below.

a) Incentivising the investment managers to align its investment strategy and decisions with the Trustee's policies:

The Trustee appoints the investment managers based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which the Trustee has appointed them.

For actively managed mandates, the Trustee looks to their Investment Consultant for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the Investment Consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. Mercer's manager research ratings assist with due diligence. These ratings are considered in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustee will review the manager's appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

b) Encouraging long-termism and consideration of ESG issues:

The Trustee will consider the Investment Consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement.

The Trustee delegates all voting and engagement activities to the investment manager. When required the Trustee will question the manager's voting decisions if it deems them out of line with the investment fund's objectives or the objectives / policies of the Scheme.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then the manager may be replaced.

c) Monitoring manager appointments:

The Trustee receives performance reports from the Investment Consultant on a quarterly basis, which presents performance information on all of the Scheme's investment managers over the 3 month, 1 year, 3 year and since inception periods, on a net of fees basis. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, and against the manager's stated tracking error (over the relevant time period). The Trustee's focus is primarily on long term performance (in line with the Trustee's investment policies) but short term performance is also closely monitored on a quarterly basis. If a manager is not meeting their investment objectives (in line with the Trustee's investment policies) or the Trustee's requirements for the mandate have changed, the Trustee would expect to review the terms of the mandate and / or ask the manager to review the annual management charge levied (instead of proceeding to terminating the manager's appointment). The Trustee would also expect to formally review the appointment should the manager breach any of their investment guidelines.

d) Monitoring portfolio turnover costs:

When appropriate (including when investment managers present at meetings), the Trustee reviews how the investment manager has moved their portfolio's positions over time. The Trustee will actively engage with a manager if portfolio turnover is considered higher than expected, with reference to the manager's investment style and the specified portfolio turnover range in the applicable investment guidelines or prospectus. Portfolio turnover is also considered by the Trustee's Investment Consultant and forms part of their regular research meetings with each of the investment managers.

To date, the Trustee has monitored the underlying portfolio turnover costs at each of the Scheme's investment managers on an ad-hoc basis, but plans to monitor the underlying transaction costs on an annual basis going forward.

e) Duration of manager appointments:

The Trustee is a long-term investor and is not looking to change investment arrangements on a frequent basis. The funds the Scheme invests in are open-ended funds and therefore there is no set duration for manager appointments.

The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or investment manager;
- The manager performance or processes are reviewed and the Trustee decides to terminate for a more suitable appointment.

11. Additional Voluntary Contribution Assets ("AVCs")

11.1 Assets in respect of members' AVCs are invested in a range of investment options. With the assistance of the Scheme's Investment Consultant, the AVC arrangements are reviewed by the Trustee on a regular basis to ensure that the investment profile of the funds available remains consistent with the objectives of the Trustee and the needs of the members.

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Trustee Director **Trustee Director**

20-20 Trustee Services Limited

Original version: April 2009

First Revision: Effective May 2012

Second Revision: Effective December 2014

Third Revision: Effective October 2016

Fourth Revision: Effective April 2019

Fifth Revision: Effective August 2019

Sixth Revision: Effective September 2020

Appendix – Current Benchmark Arrangements:

The overall benchmark manager mix is as follows:

Asset Class	Benchmark (%)	Benchmark Index
UK Equities Majedie	6.0	FTSE All Share
Global Equities (including UK) Veritas Legal & General	17.5 17.5	MSCI World Index FTSE World Index (GBP Hedged)
Diversified Growth Fund Baillie Gifford	17.5	UK Base Rate
Bonds Insight	41.5	Composite[1]
Total	**100**	

[1] c29% FTSE Over 5 Year Index Linked Gilts Index. c29% FTSE UK Gilts Over 15 Year and c43% iBoxx £ Over 10 Yr Non-Government Index.

Further detail on the manager mandates is set out below:

UK Equity Manager	Strategy Name	Benchmark	Performance Target*
Majedie	UK Equity Service Portfolio	FTSE All Share Index	3.00% p.a.
Global Equity Managers	**Strategy Name**	**Benchmark**	**Performance Target***
Veritas	Global Focus Fund	MSCI World Index**	3.00% p.a.
Legal & General	World Equity Index Fund	FTSE World Index (GBP Hedged)	n/a
Diversified Growth Manager	**Strategy Name**	**Benchmark**	**Performance Target***
Baillie Gifford	Diversified Growth	UK Base Rate	3.50%
Bond Manager	**Strategy Name**	**Benchmark**	**Performance Target***
Insight	UK Index-Linked Bond Fund	FTSE Over 5 Year Index Linked Gilts	0.75%
	UK Fixed Interest Gilts Fund	FTSE Over 15 Year Fixed Gilts Index	0.75%
	UK Corporate Long Maturities Bond Fund	iBoxx £ Over 10 Year Non-Government Bonds	1.00%

* Gross of fees target, except Baillie Gifford which is net of fees

**Veritas aims to beat the Global Equity benchmark by investing in a manner to achieve CPI inflation +6-10% over the medium term (3-5 years)

Overall Performance Target

The Scheme's overall performance target is to outperform the combined benchmark return over rolling 3 year periods by 1.8% per annum, gross of base fees (also excluding any performance-related fees that may be payable to Majedie).

Investment Manager Fees

The fees for each of the Scheme's investment managers are outlined below:

Manager	Base Fee Scale	Additional Info
Majedie	Flat rate of 0.35% p.a.	£40,000 annual minimum fee. Performance-related fees of 20% of outperformance of the benchmark above a 1% p.a. hurdle rate; payable where there is excess return above the benchmark over rolling three year periods.
Veritas	0.75% p.a. on the first £20 million 0.65% p.a. on the next £20 million 0.60% p.a. on the next £40 million 0.50% p.a. on the next £30 million	-
Legal & General	0.223% p.a. on the first £5 million 0.198% p.a. on the next £10 million 0.173% p.a. on the next £35 million 0.148% p.a. on the balance over £50 million	£1,000 p.a. annual scheme fee
Baillie Gifford	0.65% p.a. on the first £30 million 0.50% p.a. on the balance over £30 million	-
Insight	0.25% p.a.	-

Manager Custodian Arrangements

Manager	Custodian*
Majedie	Bank of New York Mellon
Veritas	HSBC Institutional Trust Services (Ireland) Ltd
Legal & General	Citibank and HSBC Global Investor Services
Baillie Gifford	Bank of New York Mellon
Insight	Bank of New York Mellon

* Data as supplied by the investment managers to Mercer's Global Investment Manager Database.