

Repsol Sinopec Pension and Life Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustee of the Repsol Sinopec Pension and Life Scheme (the "Scheme"). This statement sets out the principles governing the Trustee's decisions to invest the assets of the Scheme.

The Scheme's investment strategy is derived from the Trustee's investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details of the Scheme's investment arrangements are set out in Appendix A.

Governance

The Trustee of the Scheme makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members' current and future benefits can be paid. The Scheme's funding position is reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme's circumstances. The Scheme's funding target is specified in the Statement of Funding Principles.

In May 2022, the Trustee agreed, following consultation with the Company, to restructure the investment strategy due to the material improvement in the Scheme's funding position as a result of changes in market conditions. The strategy was de-risked in order to minimise the potential risk of deterioration in the Scheme's funding position, after it had been estimated that full funding had been reached on the Scheme's Technical Provisions funding basis.

The current investment strategy aims to achieve a return of around 1.1% per annum above the return on UK Government bonds, with a nature and duration consistent with the Scheme's liabilities.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and the strength of the Company's covenant (and the guarantees provided by the Guarantors – see section "Funding Agreement").

The Trustee considered the merits of a range of asset classes when determining the current investment strategy.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The Trustee have appointed Insight Investment Management Limited ("Insight") to manage a liability hedging strategy, which aims to reduce the Scheme's interest rate and inflation risk via a Liability Driven Investment ("LDI") mandate. The Scheme's target hedge position is currently 100% in respect of both interest rates and inflation risk (measured on the current Technical Provisions basis).

The assets of the Scheme consist of pooled investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Scheme as listed in Appendix A. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments, including taking into account all financially material considerations in making these decisions.
- The exercise of rights (including voting rights) attaching to the investments.
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes the investment managers' policies into account when selecting and monitoring managers. The Trustee also considers the performance objectives the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Additional monitoring and engagement requirements
Performance, Strategy and Risk	<ul style="list-style-type: none"> • The Trustee receives a quarterly performance report which details information on the underlying investments' performance, strategy, and overall risks, which are considered at the relevant Trustee meetings. • The investment managers are invited periodically, in person, to present to the Trustee on their performance, strategy and risk exposures. 	<ul style="list-style-type: none"> • There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance ("ESG") factors and the exercising of rights	<ul style="list-style-type: none"> • The investment managers provide annual reports on how they have engaged with investee companies regarding ESG issues. • The Trustee receives information from Isio on the investment managers' approaches to engagement. 	<ul style="list-style-type: none"> • The manager has not acted in accordance with their policies and frameworks (including stewardship priorities). • The manager's stewardship policies and priorities are not in line with the Trustee's policies and any priorities in this area.

Through the engagement described on the previous page, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related and Direct investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Funding Agreement

Taking into account the risks faced by the Scheme, as part of the Actuarial Valuation exercise as at 31 March 2015, the Trustee 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.

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.

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

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the

Trustee consulted the Company and took appropriate written advice. The Statement is reviewed at least annually, and without delay after any significant change in the Scheme's investment arrangements and/or the Company.

The Trustee confirms the information contained within this document reflects the Investment Strategy they have implemented for the Scheme. The Trustee acknowledges it is their responsibility, with guidance from the relevant Advisers, to ensure the Scheme's assets are invested in line with these Principles.

Signed for and on behalf of the Trustee of Repsol Sinopec Pension and Life Scheme.

(A signed version of this document is retained with the Trustee)

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

Seventh Revision: Effective September 2020

Eighth Revision: Effective September 2022

Appendix A – Investment Arrangements

Asset breakdown (22 September 2022)

Manager	Fund	Asset class	Value	Split
Legal and General Investment Managers ("LGIM")	Absolute Return Bond Fund	Absolute Return Bonds	£46.4m	22.8%
Insight Investment Management ("Insight")	UK Corporate Long Maturities Bond Fund	Corporate Bonds	£31.0m	15.3%
	Liquid Asset Backed Securities ("ABS") Fund	Asset Backed Securities	£70.3m	34.6%
	Various Liability Driven Investment ("LDI") Funds	LDI	£39.3m	19.3%
	Liquidity Plus Fund	Cash / Liquidity	£13.3m	6.5%
Cash	Trustee Bank Account	Cash / Liquidity	£2.9m	1.4%
			£203.2m	100.0%

Note: Totals may not sum due to rounding.

Source: Investment managers, Isio calculations

Strategic breakdown (22 September 2022)

Asset class	Actual allocation	Strategic benchmark	Control range	Return p.a. (above Gilts)	Volatility p.a.
Absolute Return Bonds	22.8%	25.0%	+ / - 5%	+1.3%	4.0%
Corporate Bonds	15.3%	15.0%	+ / - 5%	+1.4%	10.5%
ABS	34.6%	30.0%	+ / - 5%	+1.7%	5.0%
LDI ¹	19.3%	25.0%	+ / - 5%	-	11.1%
Cash / Liquidity	8.0%	5.0%	+ / - 5%	-	1.2%
Overall²	100.0%	100.0%	n/a	+1.1%	5.9%

Note: Totals may not sum due to rounding. ¹ LDI volatility based on Scheme's fixed/real liability split and volatility of Fixed Interest Gilts and index-linked Gilts respectively ² "Overall" portfolio volatility allows for asset and liability correlations, based on strategic benchmark allocation.

Source: Investment managers, Isio calculations

Manager performance objectives and fees

Fund	Performance objective (net of fees)	Fee p.a. ¹
LGIM Absolute Return Bond Fund	SONIA (Cash) + 1.25% p.a.	Redacted – can be provided upon request from Trustee
UK Corporate Long Maturities Bond Fund	iBoxx GBP Non-Gilts Over 10 Years Index + 0.65% p.a.	
Insight Liquid ABS Fund	SONIA (Cash) + 0.5% p.a.	
Various Insight LDI Funds	N/a – Benchmarked against the Scheme's liabilities	
Liquidity Plus Fund	SONIA (Cash)	
Average ²		0.22%

Notes: Weighted average fee excludes cash held in Trustee bank account. Where applicable, SONIA term within objective reflective of performance assessment period. ¹ Annual Management Charge ("AMC"). ² Based on 22 September 2022 asset split.

Source: Investment managers, Isio calculations

Appendix B – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the Company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant and guarantees to ensure the level of risk is at an appropriate level for the covenant and any associated guarantees to support.

The Scheme is exposed to underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	<ul style="list-style-type: none"> To hedge 100% of these risks on the Scheme's Technical Provisions basis via the LDI portfolio.

Risk (cont.)	Definition	Policy
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<ul style="list-style-type: none"> To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values) and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	<ul style="list-style-type: none"> To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	<ul style="list-style-type: none"> To diversify this risk by investing in credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance ("ESG")	Exposure to ESG factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<ul style="list-style-type: none"> To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: <ol style="list-style-type: none"> Responsible Investment ('RI') Policy / Framework Implemented via Investment Process A track record of using engagement and any voting rights to manage ESG factors ESG specific reporting UN PRI Signatory UK Stewardship Code signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<ul style="list-style-type: none"> Allow the Scheme's active managers who invest overseas the flexibility to hedge overseas currency exposure to manage risk.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	<ul style="list-style-type: none"> Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C - Investment Management Arrangement Policies

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</p>	<ul style="list-style-type: none"> As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements (the investment managers' performance objectives are set out in Appendix A). The Trustee monitors the investment managers' engagement and voting activity as part of their ESG monitoring process. The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.</p>	<ul style="list-style-type: none"> The Trustee reviews the performance of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover (or range of).</p>	<ul style="list-style-type: none"> The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme's arrangements with the investment managers</p>	<p>Duration is considered in the context of the type of fund the Scheme invests in:</p> <ul style="list-style-type: none"> For closed-ended funds (or lock-in periods) the Trustee ensures the timeframe of the investment is in line with their objectives and Scheme's liquidity requirements. For open-ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

<p>Voting Policy - How the Trustee expect investment managers to vote on their behalf</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
<p>Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'</p>	<ul style="list-style-type: none"> • The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. • The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually. • Stewardship activities that the Trustee has considered include within the selection and appointment of investment managers, whereby the Trustee considers potential managers' stewardship policies and activities.