

The Kuwait Petroleum Corporation Retirement Benefits Scheme for UK Locally Employed Staff (the “Scheme”) Statement of Investment Principles (the “Statement”)

1. Scope of Statement

This Statement has been prepared in accordance with the section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. A separate document, the Investment Policy Implementation Document (“IPID”), detailing the specifics of the Scheme’s investment arrangements is available upon request.

The effective date of this Statement is July 2025.

2. Consultations Made

As required by the Act, the Kuwait Petroleum Corporation Retirement Benefits Scheme for UK Locally Employed Staff Trustees (the "Trustees") have consulted with the Principal Employer, Kuwait Petroleum International Limited (the "Employer"), prior to writing this Statement and have considered the Employer’s comments when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments UK Limited who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to Investment Managers regulated by the Financial Conduct Authority and/or the Prudential Regulation Authority. A copy of this Statement has been provided to the Investment Managers appointed, is available to the members of the Scheme and will be published on a publicly accessible website.

3. Scheme Objectives

The Trustees' primary objective is for the Scheme to be fully funded and to hold assets in a way that requires continued growth exposure until the last member has retired, and then achieve some returns above the risk-free rate until the last beneficiary has died.

The Trustees' implied objectives are:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy; and
- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of Employer’s covenant when determining the expected improvement in the solvency position of the Scheme.

The Trustees’ investment objective is to maximise the return on the Scheme’s assets within the constraints of meeting these objectives whilst controlling the level of risk as discussed below. If a conflict arises between the investment strategy and the objectives the Trustees will consult the Employer before making any change to the investment strategy.

4. Risk

To understand what an acceptable degree of risk is, the Trustees take expert advice. The nature of this advice is described elsewhere in this Statement, but has resulted in an investment strategy laid out in detail in the IPID.

The Trustees believe that this investment strategy:

- best meets the Scheme's objectives set out in section 3 of this Statement;
- represents their best judgement of what is necessary to meet the Scheme's liabilities given their understanding of the contributions likely to be received from the Employer and Employees; and
- takes account of their attitude to risk, specifically their willingness to accept underperformance (in relation to their objectives) due to market conditions.

Strategic Risk

The Trustees review the investment strategy of the Scheme following each formal actuarial valuation (or more frequently should the circumstances of the Scheme change in a material way). To monitor the success of the chosen investment strategy the Trustees carry out an annual funding assessment where the need for an investment strategy review will be assessed. The Trustees take written advice from their Investment Adviser regarding an appropriate investment strategy for the Scheme.

Covenant Risk

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also assess the Employer covenant in light of the financial strength of the ultimate parent company which is owned by the sovereign government of Kuwait. A company representative is regularly invited to attend Trustee meetings to provide updates on company performance.

Manager Risk

The Trustees monitor the risks arising through the appointed Investment Managers on a quarterly basis via investment monitoring reports prepared by their Investment Advisers. Expected deviation from the benchmark for passive management is detailed in the IPID. The Trustees have appointed Aon Investments UK Limited to alert them on any matters of material significance that might affect the ability of each Investment Manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved in excess of the expected deviation (positive or negative) may be an indication that the Investment Manager is taking a higher level of risk than indicated. For due diligence purposes the Trustees meet at least twice a year and see their Investment Managers when considered necessary.

Liquidity Risk

Liquidity risk (also known as cashflow risk) arises from the need to realise assets in the short term. If realisations of investments in order to meet the benefit outgo were to be made at a time when prices are depressed this could reduce the likelihood of meeting the primary objectives. To avoid this, the Trustees and their advisers manage the Scheme's collateral and cash flow requirements carefully over the short-term and also the need for flexibility in the strategy to liquidate assets within a reasonable timeframe to achieve strategic objectives.

5. Focus on Asset Allocation Strategy

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. The Trustees therefore retain responsibility for setting asset allocation and take expert advice as required from their Investment Adviser.

A full range of available asset classes has been considered. This includes consideration of "alternative" asset classes (namely manager skill, risk premia and downside protection strategies). The asset allocation for all sections of the Scheme as shown in the IPID will be implemented after considering the written advice from the Scheme's professional advisers during 2025.

6. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustees' primary objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Day-to-day selection of stocks is delegated to Investment Managers, appointed by the Trustees. As regards the review and selection of their investment managers, the Trustees take expert advice. The last formal full strategy review was completed in May 2025.

Assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested on regulated markets and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest in pooled funds and cannot therefore directly influence the extent to which derivatives are used by the Investment Managers. However, the Trustees are satisfied that the Investment Managers invest in derivatives in a prudent and rational manner in order to contribute to the reduction of investment risk and to facilitate efficient portfolio management.

7. Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. For the majority of funds in which the Scheme holds assets, the Investment Manager of the pooled fund is responsible for the appointment and monitoring of the custodian of the fund's assets.

Where the manager does not accept this responsibility the Trustees have appointed a custodian, for the day-to-day control of custody arrangements. The Trustees receive a copy of the investment managers' reports. Custodian and auditors' reports on their respective procedures prepared in accordance with AAF01/06 issued by the Institute of Chartered Accountants are sent directly to the auditors and accounts team where applicable.

The custodians are independent of the Employer.

The Trustees' auditors produce an annual statement detailing any issues requiring further consideration.

8. Expected Returns on Assets

Over the long-term the Trustees' expectations are:

- for the "growth" assets (i.e. multi-asset manager growth funds, active diversifiers, and insurance linked bonds);

to achieve a return which at least keeps pace with the increase in national average earnings over the same period. The Trustees are willing to incur short-term volatility in asset price

behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities.

- for the "matching" assets (i.e. the Liability Driven Investment Funds, and Investment Grade Corporate Bonds);

to achieve a rate of return which mirrors the change in liabilities of an equivalent exposure.

Returns achieved by the Investment Managers are assessed against performance benchmarks set by the Trustees in consultation with their Investment Adviser and Investment Managers.

9. Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds and so on, or the sale of units in pooled funds).

10. Social, Environmental or Ethical Considerations

The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a quarterly basis.
- The Trustees will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on an annual basis. Should the Scheme look to appoint a new manager, where relevant and appropriate, the Trustees will request this information as part of the selection process. All responses will be reviewed and monitored with input from the Scheme's investment adviser.

Stewardship: Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustees accept responsibility for how managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustees will monitor the casting of votes on an annual basis. Should the Trustees monitoring and engagement process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations the arrangements with the manager may be altered.

The Trustees regularly review the suitability of the Scheme's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in the policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Scheme's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustees will engage with the investment managers (relevant persons) as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned (relevant matters). This will take the form of emails, calls and ad-hoc meetings, and be supplemented by annual reporting which will be made available to Scheme members on request.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the investment manager.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

If received, the Trustees will consider the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, and present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations) in the selection, retention and realisation of investments. The Trustees will review their policy towards this on an annual basis.

11. Arrangements with Investment Managers

The Trustees monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies. This includes monitoring the extent to which investment managers:

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

The Trustees are supported in this monitoring activity by their investment adviser.

The Trustees share the policies, as set out in this Statement, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their expectation to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

12. Monitoring of Investment Manager Costs

The Trustees are aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their adviser in conjunction with ClearGlass, whom the Trustees have engaged with to collect Scheme information. These reports present information in line with prevailing regulatory requirements for investment managers and allows the Trustees to understand exactly what they are paying to their investment managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the investment managers appointed by the Trustees;
- The amount of portfolio turnover costs (transaction costs) incurred by investment managers;
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc)
- The impact of costs on the investment return achieved by the Scheme.

The Trustees benefit from the economies of scale provided by their investment managers in two key cost areas:

- The ability of the investment managers to negotiate reduced annual management charges with the appointed investment strategies and/or managers within the fund (with respect to Aon Investments Limited and Russell); and
- The ability of the investment managers to manage ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The investment managers monitor the level of portfolio turnover (defined broadly as the amount of purchases plus sales). The Scheme's investment consultant monitors this on behalf of the Trustees as part of the manager monitoring they provide to the Trustees and flags to the Trustees where there are concerns.

13. Evaluation of Investment Manager Performance and Remuneration

The Trustees assess the (net of all costs) performance of their investment managers on a rolling three-year basis against the Scheme's investment objectives.

14. Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

All investment matters are discussed by the whole Trustee body with assistance from the Scheme's investment advisers before decisions are finalised.

15. Additional Voluntary Contributions Arrangements

In addition to the main Scheme's benefits, some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVC arrangements are equal to the value of the investments bought by the members. The Trustees consider that the range of investment funds made available to members by the AVC providers is sufficient to meet the needs of the Scheme membership.

16. Timing of Periodic Review

The Trustees will review this Statement and the Scheme's investment strategy whenever they are aware of a significant change in the Scheme's circumstances. The maximum period between reviews will be restricted to three years.

This document has been agreed and approved by the Trustees of the Kuwait Petroleum Corporation Retirement Benefits Scheme for UK Locally Employed Staff