

Lyondell Chemical Europe, Inc. Pension Plan ("the Plan")

Statement of Investment Principles ("the Statement") – May 2024

1. Background

The Trustees of the Plan have drawn up this Statement to comply with the requirements of:

- The Pensions Act 1995 (as amended);
- The Occupational Pension Schemes (Investment) Regulations 2005 (as amended); and
- Any other overriding/subsequent legislation.

As required, in preparing this Statement the Trustees have consulted a suitably qualified person and have obtained written professional advice from their investment consultant, Mercer Limited. The Trustees have also consulted the Sponsoring Employer, Lyondell Chemical Europe, Inc. ("the Company").

The Trustees' investment responsibilities are governed by the Plan's Trust Deed and Rules and applicable legislation, and this Statement takes full regard of these. A copy of the Plan's Trust Deed and Rules is available for inspection upon request.

2. Overall Investment Policy

Overall investment policy falls into two parts. The strategic management of the assets is the responsibility of the Trustees acting on advice from their investment consultant, Mercer Limited, and is driven by their investment objectives as set out below. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to a professional investment manager.

The Trustees have identified the Director Global Trust Investments of LyondellBasell to provide further investment input from time to time. They operate under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those to whom it delegates.

3. Investment and Funding Objectives

The Trustees' funding objective is to have sufficient assets so as to make provision for 100% of the Plan's liabilities as determined by an actuarial calculation. The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided.

The Trustees have set an investment strategy by first considering the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities, and then selecting a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

4. Financially Material Considerations, Risk Measurement and Management

The Trustees recognise a number of risks involved in the investment of the assets of the Plan, the key risk being that the Plan has insufficient assets to make provisions for its liabilities. The Trustees have considered the following risks that they believe may be financially material to the Plan over its anticipated lifetime. These considerations are taken into account in the selection, retention and realisation of investments:

- **Funding level and mismatching risk** - The Trustees pay close regard to the risks which may arise through a mismatch between the Plan's assets and its liabilities, in relation to changes in financial and demographic factors. The Trustees and their investment consultant consider these risks when setting the Plan's investment strategy. The Trustees are satisfied that the Company is aware of and willing to underwrite the mismatch risk inherent in the asset allocation policy and that this, in turn, could lead to volatility in future contribution requirements. Funding levels are monitored through regular funding updates and ongoing triennial actuarial valuations with appropriate action to prevent value deterioration of the funding position.
- **Manager risk** - The failure by the investment manager(s) to achieve the rate of investment return assumed by the Trustees. The Trustees monitor the manager's performance on a quarterly basis, and compare the investment returns with the appropriate performance objectives to ensure continuing acceptable performance. The use of passive investment funds reduces the risk associated with poor manager performance.
- **Liquidity risk** - The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities. The Trustees will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs, and have adopted a strategy that makes due allowance of the need for liquidity of the Plan's assets.
- **Concentration risk** - The failure to spread investment risk across a range of sources. The Trustees and their investment consultant consider this risk and have adopted a strategy that ensures that the risk of an adverse influence on asset values from the poor performance of a small number of individual investments is reduced by diversification of the assets:
 - by asset class (UK equities, overseas equities, bonds)
 - by region (UK, overseas)
 - within asset classes (by the use of diversified pooled funds)
- **Covenant risk** – The Trustees' willingness to take investment risk is dependent on the continuing financial strength and support of the Company. Therefore, a key risk is the failure of the Company to be able or willing to support the Plan. As a result, the Trustees receive regular updates from the Company, consider the Company's performance regularly, and formally assesses the support at least every three years as part of the actuarial valuation. The Trustees and their investment consultant also consider this risk when setting investment strategy and consult with the Company as to the suitability of the proposed strategy.
- **Environmental, Social and Governance (ESG) risk** – The risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making, leading to underperformance relative to expectations. The Trustees have adopted a strategy of periodically discussing ESG risks with their investment consultant.
- **Climate change risk** - The extent to which climate change may cause a material deterioration in asset values as a consequence of factors including, but not limited, to policy change, physical impacts and the expected transition to a low-carbon economy. Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustees have instead adopted a strategy of periodically discussing climate change risk with their investment consultant and investment manager(s).

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustees typically meet with their investment consultant every six months to discuss investment matters. At these meetings the funding level development, investment strategy and manager performance are reviewed, thereby providing an opportunity to consider the impact of risks further and whether any changes are needed to further manage those risks.

In considering the selection, retention and realisation of investments the Trustees do not take account of non-financially material considerations, including member views.

Should there be a material change in the Plan's circumstances, the Trustees will review whether, and to what extent, the investment arrangements should be altered.

5. Investment Policy

Following a review of the Plan's investment strategy in April 2024, the Trustees decided to adopt the following strategic asset allocation:

Asset Class	Benchmark Allocation (%)
Equities	25.0
UK Equities	2.5
North American Equities	12.5
Europe (ex-UK) Equities	5.0
Japanese Equities	2.5
Asia Pacific (ex-Japan) Equities	2.5
Fixed Interest Bonds	40.00
UK Gilts (+15 year)	24.0
UK Gilts (All Stocks)	6.0
UK Corporate Bonds (+15 year)	10.0
Index Linked Gilts	35.0
UK Index-Linked Gilts (+5 year)	18.5
UK Index-Linked Gilts (under 5 year)	5.0
UK Index-Linked Gilts (5-15 year)	11.5
Total	100.0

The benchmark allocation was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. The Trustees' policy is to assume that equities will outperform gilts, and therefore the Plan's liabilities, over the long term. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Plan's liabilities, and the risk that the assets do not deliver the returns expected.

6. Day-to-day Management of the Assets / Cashflow and Rebalancing Policy

Responsibility for investment of the Plan assets rests with Legal & General Assurance (Pensions Management) Limited ("L&G"). Day-to-day investment management of the Plan assets is delegated to an associate company, Legal & General Investment Management Limited ("LGIM") that is authorised and regulated by the Financial Conduct Authority ("FCA").

LGIM passively manage the Plan's assets through a range of pooled funds with the objective of achieving benchmark performance over rolling three-year periods within certain tolerances.

On a quarterly basis, L&G will rebalance the Plan's assets back to the central benchmark should

they fall outside the permitted ranges shown in the table overleaf. Investment / disinvestment requests are used to help keep the asset allocation within the agreed ranges.

Fund	Benchmark Index	Central Benchmark %	Range +/- %
Equity Portfolio		25.0	2.5
UK Equity Index	FTSE All-Share	2.5	0.5
North America Equity Index	FTSE World North America	12.5	1.5
Europe ex-UK Equity Index	FTSE Developed Europe (ex-UK)	5.0	0.5
Japan Equity Index	FTSE Japan	2.5	0.5
Asia Pacific ex-Japan Developed Equity Index	FTSE Developed Asia Pacific (ex-Japan)	2.5	0.5
Fixed Interest Bonds		40.0	4.0
Over 15 Year Gilts Index	FTSE A UK Conventional Gilts Over 15 Years	24.0	-
All Stocks Gilts Index	FTSE A UK Conventional Gilts All Stocks	6.0	-
AAA-AA-A Corporate Bond Over 15 Year Index	Markit iBoxx Sterling Non-Gilts (ex BBB) Over 15 Years	10.0	-
Index-Linked Gilts		35.0	3.5
Over 5 Year Index-Linked Gilts Index	FTSE A UK Index-Linked Gilts Over 5 Years	18.5	-
Under 5 Year Index-Linked Gilts Index	FTSE A UK Index-Linked Gilts up to 5 Years	5.0	-
5 to 15 Year Index-Linked Gilts Index	FTSE A UK Index-Linked Gilts 5-15 Years	11.5	-
Total		100.0	-

7. Additional Voluntary Contributions

The Trustees invest members' additional voluntary contributions ("AVCs") in insured arrangements with Aviva Life UK Services Limited and Utmost Life and Pensions Limited.

With the assistance of the Plan's consultants, these arrangements are reviewed from time-to-time to ensure that the investment performance achieved is acceptable and the investment profiles of the funds remain consistent with the objectives of the Trustees and the needs of the members.

8. Responsible Investment and Corporate Governance

The Trustees recognise that the consideration of 'financially material considerations', including ESG factors, is relevant at different stages of the investment process. The Trustees have explicitly acknowledged the relevance of ESG factors in framing their investment beliefs and these beliefs are reflected in the principles set out in this SIP and the broader implementation of the strategy.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material considerations.

As a result of the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustees will periodically discuss ESG factors and climate change with their investment consultant and the investment manager(s) to consider the potential implications for the Plan's investments.

Structural considerations

The Trustees expect that the investment manager(s) will take account of all financially material considerations including the potential impact of ESG factors in the implementation of their mandate(s) and in exercising rights and stewardship obligations attached to the Scheme's investments.

The Trustees recognise that the choice of benchmark dictates the assets held by the investment manager(s) for passive mandates and that the manager(s) has somewhat limited freedom, beyond voting and engagement, to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustees will review the index benchmarks employed for the Plan on at least a triennial basis.

Consideration of non-financially material considerations in investment arrangements

Given the objectives of the Plan, the Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Selecting investment managers

In selecting any new or replacement investment manager(s), the Trustees will explicitly consider, where relevant, potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision-making.

Stewardship

The Trustees review the statements of corporate governance issued by their investment manager(s). The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustees have adopted a policy of delegating voting decisions on stocks to their investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment manager(s) are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustees will review the voting policies of their investment manager(s). The Trustees will request their investment manager(s) provide details of any change in their house policy periodically.

Where appropriate, the Trustees will engage with and may seek further information from their investment manager(s) on how portfolios may be affected by a particular issue.

The Trustees do not engage directly but believe it may be appropriate for their investment manager(s) to engage with key stakeholders in order to improve corporate behavior and performance and to mitigate financial risks. Such stakeholders may include corporate

management, regulators and governance bodies. The Trustees will review engagement activity undertaken by their investment manager(s) as part of their broader monitoring activity.

Monitoring

The investment manager(s) report on voting activity to the Trustees on a periodic basis. The Trustees will monitor the investment manager's voting activity and may review voting patterns. The Trustees may also monitor investment managers' voting on particular companies or issues affecting more than one company.

The Trustees aim to meet with their investment consultant and investment manager(s) regularly. The Trustees will provide their investment manager(s) with an agenda for discussion, including issues relating to individual holdings and where appropriate, ESG issues. The Trustees (and their investment consultant) will challenge the investment manager(s) on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

9. Investment Manager Arrangements

Alignment with the Trustees Policies

When engaging with investment managers to implement the Trustees' investment strategy outlined above, the Trustees are concerned that, as appropriate and to the extent applicable, the investment managers are incentivised to align their strategy and decisions with the objectives of the Plan.

However, as the Plan is only invested in multi-client pooled funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific funds. The Trustees are able to make investment manager appointments in such a manner that the assets are managed consistent with the investment strategy for the Plan. The investment manager(s) are incentivised by the knowledge that the Trustees will review their appointment if, over time, they do not meet expectations.

Investment managers are appointed by the Trustees based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

As the Plan is only invested in passive mandates where outperformance is not the primary goal, the Trustees will seek guidance from their investment consultant in relation to their forward-looking assessment of the manager's ability to achieve the stated mandate objectives. The investment consultant's manager research ratings assist with due diligence and questioning the manager(s) directly during presentations. These ratings are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular fund changes, or if other factors change that could have an impact on the manager's ability to meet its objectives, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Incentivisation and Medium/Long-Term Decision Making

The Trustees do not have a policy about making investment decisions based on their assessment of the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the investment manager(s), where applicable. These investment manager(s) may be in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees do however consider the investment consultant's assessment of how each investment manager embeds ESG issues into their investment process.

Evaluation and Remuneration

The Trustees receive investment performance reports on a quarterly basis. The Trustees review the performance against a suitable index used as the benchmark (where appropriate), and/or against the managers' stated performance target over the relevant period.

The Trustees' focus is on long-term performance but an investment manager's appointment may be reviewed at any time.

The investment manager(s) are remunerated by way of a fee calculated as a percentage of assets under management.

The Trustees may meet with the investment manager(s) if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

The Trustees monitor the level of remuneration of the investment manager(s) and the investment consultant and may organise competitive fee quotes or tenders as applicable.

Portfolio Turnover Costs

The Trustees do not currently monitor portfolio turnover costs and have no set portfolio turnover targets; rather the Trustees assess investment performance net of the impact of the costs of such activities.

Duration of the Arrangements

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for investment manager appointments. The Trustees will retain an investment manager unless:

- There is a change to the overall investment strategy that no longer requires exposure to that asset class or manager;
- The investment manager appointment has been reviewed and the Trustees have decided to terminate the mandate.

10. Governance

The Trustees are responsible for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

Trustees

- Set structures and processes for carrying out their role.
- Select and monitor planned asset allocation strategy.
- Monitor actual returns versus the Plan's benchmark.
- Make ongoing decisions relevant to the operational principles of the Plan's investment strategy.

Investment Consultant

- Advise on all aspects of the investment of the Plan's assets, including implementation.
- Advise on this statement.
- Provide required training.

Investment Manager(s)

- Operate within the terms of this statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Comment, where applicable, on the suitability of the indices in their benchmarks.

11. Compliance with this Statement

The Trustees will, at the minimum, aim to review this Statement every year to ensure that it remains accurate. The Statement will be amended immediately following any significant change in investment policy or circumstances of the Plan. The Trustees are committed to maintaining the accuracy of this Statement on an ongoing basis, and will take investment advice from their investment consultant and consult with the Sponsoring Employer over any changes to the SIP.

The Trustees and the investment manager(s) each have duties to perform to ensure compliance with this Statement. These are:

- The **Trustees** will review this Statement every year and will record compliance with it at the relevant Trustee meeting.
- The **investment manager, L&G**, will prepare quarterly reports for the Trustees that will include:
 - A valuation of all investments held for the Plan;
 - Records of all transactions together with a cash reconciliation;
 - A review of recent actions undertaken on behalf of the Plan.



Signed for and on behalf of The Trustees of the Lyondell Chemical Europe, Inc. Pension Plan

May 2024