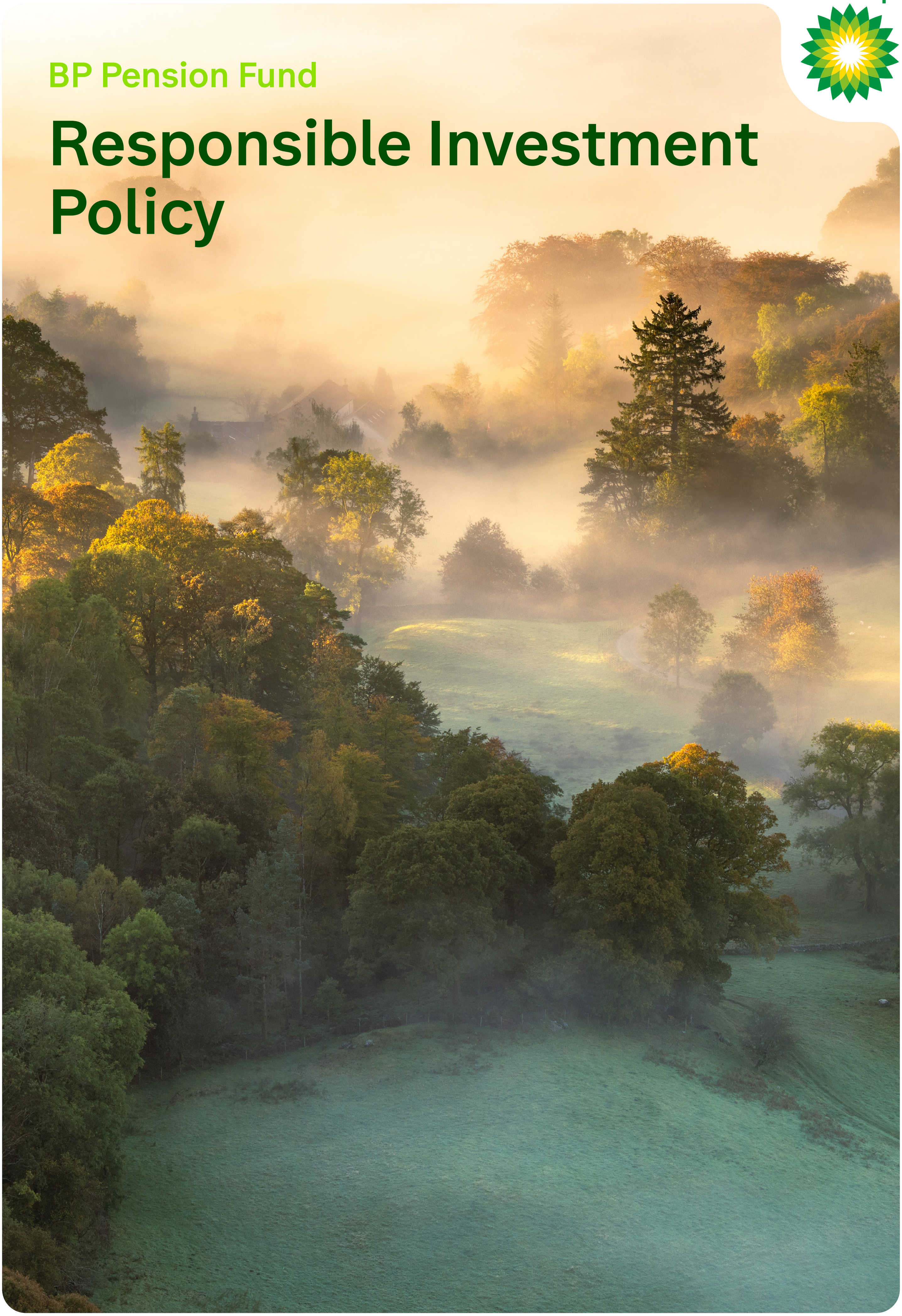
BP Pension Fund

Responsible Investment Policy



Our purpose

The BP Pension Fund (the Fund) is a defined benefit (DB) pension plan. It is closed to new members and to future benefit accrual. Our purpose is to pay members the benefits they are entitled to under the Trust Deed & Rules in full and on time.

As the Trustee of the Fund, we believe that responsible investment (RI) is essential to delivering the long-term risk-adjusted returns required to meet our purpose.

This Policy outlines our approach to RI, including key concepts, our beliefs, and strategy that guides our actions.

1. Responsible investment and stewardship

Our approach is informed by two key concepts:

Responsible investment

The process through which all financially material Environmental, Social and Governance (ESG) factors are incorporated into investment activity. This includes the analysis of potential investment opportunities, strategic investment decision-making and the ongoing oversight of investments through effective stewardship. RI strengthens our risk management and supports our purpose.

Stewardship

The responsible allocation, management and oversight of assets to create long-term, sustainable investment outcomes, while considering the impact on the economy, the environment and society. Stewardship activities include engaging with managers, service providers and investee companies, and exercising voting rights. Exercising stewardship is important for managing systemic risks such as climate change, which cannot be addressed solely by adjusting our investments.

2. Beliefs

Our RI beliefs form the foundation of this Policy and guide our RI strategy. They are embedded within our broader investment beliefs.

The Trustee's beliefs are:

1. Investing responsibly and achieving long-term risk-adjusted returns are consistent with each other.
2. ESG factors create both investment risks and investment opportunities and can be financially material at company, industry, or systemic levels. We expect ESG factors to become increasingly important over the long term.
3. Systemic risks such as climate change and social instability may impact entire financial systems. These risks are interconnected and cannot be diversified away. This means they can impact our long-term investment returns. We believe that addressing these risks is essential to safeguarding the Fund's assets and it is an important part of effectively fulfilling our duties. We are prepared to work with others to do so.

4. Effective stewardship strengthens risk management. It contributes to a more resilient financial system, aligning investment outcomes with the Fund's purpose. The effective exercise of our rights and responsibilities, including the voting undertaken on our behalf, supports improved corporate practices and promotes sustainable market standards.
5. We expect our asset managers to incorporate financially material ESG factors into their decision-making processes. We also expect them to exercise stewardship across all asset classes where practicable. We require them to report how they do this.

3. Strategy

The Trustee's objective is to invest responsibly and to safeguard the Fund's assets so that they remain sufficient to meet members' benefits as they fall due. A range of mandatory requirements and industry guidance is available, which sets out what Trustees must, should or could do in exercising their fiduciary duty. We are committed to full compliance with all mandatory requirements. The application of non-mandatory guidance is exercised at our discretion, ensuring resources are used efficiently and that actions are proportionate to the expected benefits.

The Trustee's RI Strategy is designed to support us in delivering on our objective, while meeting our regulatory and fiduciary obligations to:

- Consider key risks including those related to ESG factors and climate change.
- Agree our approach to investment, engagement and voting.
- Develop policies and operate appropriate governance and risk management.
- Publish reports showing how we implement our policies.

The RI Strategy is implemented through an internal framework, which establishes the structures, processes and tools needed to implement our objectives in a systematic and consistent manner.

We periodically review our RI Strategy and consider how we discharge our responsibilities in practice. It allows us to reaffirm or update our priorities if needed, and where possible, simplify our approach to ensure more efficient use of our resources. We seek independent advice when required. The outcomes of these reviews are then reflected in this Policy.

The Trustee's approach to the main components of our RI strategy is outlined below and it is applied on a proportionate and pragmatic basis.

ESG factors

We recognise that ESG factors may present financially material investment risks and opportunities. The relevance and materiality of individual ESG factors varies by asset class and implementation approach. We integrate these considerations when setting and monitoring the investment strategy, and when selecting, monitoring and engaging with managers. All our managers are required to incorporate financially material ESG factors when investing and managing the Fund's assets.

Non-financial matters, including members' ethical views or their broader social and environmental preferences, are not considered in our investment process.

Climate Change

We recognise climate change as a systemic, financially material long-term risk and consider it in investment decisions in line with our fiduciary duty.

We support the goals of the **Paris Agreement**, and the world's efforts to limit global warming and reduce the risks and impacts of climate change. We believe that reducing greenhouse gas (GHG) emissions and strengthening climate resilience will help to mitigate potential financial impacts on the Fund.

The Fund has established a net zero ambition, which is to transition our investments to achieve net zero GHG emissions for the whole portfolio by 2050. To support this ambition, and as required, we set interim targets and report on progress versus set targets in the Fund's annual Climate Change report.

We believe that this net zero ambition will help us to contribute to real economy decarbonisation, while effectively managing the Fund's climate-related risks and opportunities. To achieve our net zero ambition, we will, however, need governments and policy makers to deliver on their existing commitments and provide the necessary new policy changes.

The Trustee has adopted the following principles to support the Fund's net zero ambition:

1. We will appropriately factor in financially material climate change risks and opportunities when making strategic asset allocation and manager selection decisions.
2. We expect our appointed asset managers to consider climate change risks and opportunities within their investment processes. Managers must report annually on how they have incorporated these risks and opportunities into their investment processes.
3. We expect our asset managers to actively encourage investee companies to put in place robust processes to appropriately manage climate change associated risks and disclose on their actions in line with industry standards. Managers should also use their own judgement and risk assessment criteria to decide whether exclusion or engagement is more appropriate within their investment process.
4. We report annually in line with our mandatory requirements on our actions in monitoring and managing climate change related risks.
5. We support the further development as well as a standardisation of effective climate change risk metrics to enhance the ability of all stakeholders to assess and manage risks.
6. We recognise that climate change will be subject to much further analysis and subsequent policy changes in the coming years.

Stewardship

Our stewardship activities include engaging with asset managers and collaborating with other asset owners, advisers and service providers to advance RI practices and strengthen risk oversight.

To drive more effective engagement, we prioritised three themes which we believe can materially impact the Fund's long-term investment performance:

1. Environmental: climate change.

2. Social: human rights.

3. Governance: board composition and oversight.

We chose to set these themes as the Fund's stewardship priorities because they:

- are relevant across the regions and asset classes in which the Fund invests
- may have financial impact over the medium to long term
- have significance at both the Fund level and for the investments managed by our asset managers.

We expect our managers to focus on these stewardship priorities as well as other themes which they deem as financially material to the Fund's investments. We review our stewardship priorities periodically and may update them as required.

Engagement

We use our influence to encourage responsible long-term behaviour through our activities and through managers' adherence to this Policy.

Engagement involves active dialogue between investors and investee company management to influence business strategy, address sustainability risks, and enhance long-term value. It applies across all asset classes, and we expect our managers to follow best practice, including the FRC UK Stewardship Code, and to engage with companies and issuers on matters aligned with the Fund's stewardship priorities. We generally prefer engagement over exclusion.

Collective action is necessary to address systemic risks such as climate change, which cannot be diversified away and may materially impact the Fund's assets. Through effective engagement, investors can influence real-economy outcomes by shaping corporate behaviour and directing capital towards more sustainable activities. This helps to build long-term resilience and protect returns. Collaborative engagement across the investment community and wider stakeholders is therefore essential to support the transitions needed to reduce systemic risks and safeguard the Fund's assets.

The Fund is a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI), and a member of the Institutional Investors Group on Climate Change (IIGCC) and the Asset Owner Council (AOC). We review these memberships regularly to ensure continued alignment with the Fund's long-term strategy, RI beliefs and stewardship priorities. We also expect our asset managers to participate in relevant industry initiatives and collaborative engagements to support effective RI practices.

Voting

We delegate the exercise of voting rights attached to the Fund's public equities investments to Legal & General Asset Management (L&G). L&G uses voting as a strategic tool to influence market standards and drive systemic improvements, and it exercises voting rights globally in line with its detailed custom voting policies. These policies and voting records are publicly disclosed and can be found via the following **link**.

We consider L&G's voting policies to be of a high standard and aligned with our stewardship priorities. If L&G makes significant changes to its approach, we will review and, if necessary, reconsider our delegation arrangements.

L&G regularly reports to us on its voting activities, including examples of significant votes. We report on our voting behaviour in our publicly available annual Implementation Statement.

Risk Management

We operate a risk management function to identify, assess, record and monitor all material risks, including ESG and climate-related risks.

ESG-related risk is considered a principal risk within our overarching risk management framework because ESG factors, including climate change, may impact the Fund's financial performance. We manage these risks by integrating ESG considerations when setting and monitoring investment strategy. We incorporate RI considerations as part of our manager selection process and by requiring existing asset managers to incorporate ESG factors when investing the Fund's assets. We regularly review and challenge our managers' approaches to ensure they are aligned with this Policy.

To assess and manage climate-related risks, we supplement carbon-footprint analysis with forward-looking measures for asset classes where methodologies exist. We also periodically carry out scenario analysis to evaluate the potential impacts of climate-related risks on the Fund.

Where appropriate, we contribute to wider systemic-risk mitigation efforts through collaborative stewardship, participation in relevant industry initiatives and maintaining awareness of industry developments in climate risk modelling.

Manager selection, monitoring and engagement

We appoint asset managers with the expectation of long-term partnerships. All managers are expected to invest and engage in the best interests of the Fund and in accordance with this Policy, which is incorporated in legal agreements with all managers.

We share this Policy with managers at the start of each relationship and when it is materially updated. We monitor our managers' compliance with this Policy and report on it to the Board.

Manager selection

When assessing prospective managers, we review their policies and evaluate how ESG factors are integrated into their investment processes. We also assess their stewardship capabilities, approach to long-term risk management and the adequacy of their resources to fulfil their responsibilities.

Pooled investment funds are managed by an asset manager on behalf of multiple clients. When we invest in these funds, we ensure the investment objectives align with our investment policies.

A segregated mandate is one under which an asset manager invests solely on our behalf. The Trustee sets investment guidelines for such mandates, specifying permissible investments, performance targets, and where appropriate, specific ESG or carbon footprint requirements.

Manager monitoring

We assess managers based on qualitative and quantitative performance indicators, including risk and return, over the medium to long term.

Our managers provide us with quarterly and annual updates. These show how financially material ESG factors, including climate change, are incorporated into their analysis and investment decisions for the Fund's assets We also expect all managers to share engagement activity case studies linked to the Fund's stewardship priorities.

If a manager does not meet our standards, we engage with them to address issues. This includes understanding the issue, assessing the severity, providing feedback, setting expectations, and offering support. Following engagement, we monitor progress and assess whether the manager addressed our concerns. Where progress remains inadequate, we may cease investing with them.

Manager engagement

We engage with all managers but prioritise our interactions based on the following criteria:

1. **Strategic relevance** of their asset class to the Fund's long-term objectives.
2. **Asset-class characteristics and manager capabilities**, which determine the extent and type of stewardship activity.
3. **Expected outcomes** that are achievable within the Fund's investment strategy and objectives.

Our engagement includes quarterly investment meetings and an annual RI review with each manager to assess compliance with this Policy. We also hold additional meetings as needed on specific topics.

The criteria for manager engagement are reviewed if the Fund's investment strategy changes significantly.

Governance

The Fund's governance structure assigns clear roles and responsibilities to support the implementation of our RI strategy. We manage any perceived or actual conflicts of interest that may arise between us, our delegates and other stakeholders.

All Fund employees and Trustee Directors must follow the bp code of conduct and the Trustee Board maintains its own conflict-management policy. Conflicts with third-party suppliers are identified during onboarding and reviewed regularly.

This Policy is approved by the Trustee Board and reviewed at least every three years. The Trustee Chief Executive Officer oversees implementation, including regular reporting to the Trustee Board and its committees.

Reporting and where to find more information

Implementation Statement

We publish an annual Implementation Statement, setting out how this Policy has been followed.

Climate Change Report

We produce an annual Climate Change Report on the Fund's climate-related governance, strategy, risk management and relevant metrics and targets.

PensionLine

PensionLine remains our primary channel for communicating RI matters to members.
Both the Implementation Statement and the Climate Change Report can be found in the *Investment Stewardship and climate change related documents* section of **PensionLine**.

This Policy was last updated on 11 May 2026