Apache UK Pension Plan (the "Plan")

Statement of Investment Arrangements – October 2023

1. Introduction

The Statement of Investment Arrangements (the “Statement”) has been prepared by the Trustee of the Apache UK Pension Plan (“the Plan”) to complement the Statement of Investment Principles also dated October 2023.

The purpose of this Statement is to document specific details in relation to Plan investments which are not required to be recorded at a “principle level”.

2. Investment Approach

The Plan’s assets are invested with Mercer in line with a Cashflow Driven Investment (“CDI”) strategy. Under this strategy, the assets are invested predominantly in income generating assets in such a way that the expected cash-flows (or income) generated by the assets broadly match a proportion of the Plan’s expected liability cash-flow profile, whilst still targeting an investment return in excess of the return on UK Government Bonds (“Gilts”) plus a margin of 0.25% p.a.. The Trustee has appointed Mercer to implement their updated strategy.

The Trustee has agreed that the Plan’s broad asset allocation on implementation of the last investment strategy review in July 2023 should be as set out in the table below:

Portfolio	Target Allocation (%)	Implementation Range (%)
Hedge Management	40.0	+/-5.0
Non-Hedge Management	60.0	+/-5.0
Total	**100.0**	

Hedge Management Portfolio

The Hedge Management Portfolio will comprise investments in a portfolio of Liability Driven Investment (“LDI”) funds, Mercer fixed income funds, index-linked funds, swap funds, cash funds and any other Mercer funds and in such proportions as determined by Mercer. The Trustee expects Mercer to manage this portfolio to achieve a liability hedge ratio, on a gilts plus 0.25% p.a. liability basis, that does not significantly deviate from 100%.

Non-Hedge Management Portfolio

The Non-Hedge Management Portfolio initially comprises investments in the following funds:

Fund Name	Umbrella Name	Target Asset Allocation (%)	Implementation Range
Mercer Tailored Credit Fund 1	Mercer QIF Fund plc	25.0	+/-5.0

Fund Name	Umbrella Name	Target Asset Allocation (%)	Implementation Range
Mercer Tailored Credit Fund 2	Mercer QIF Fund plc	41.7	+/-5.0
Mercer Multi Asset Credit	Mercer QIF Fund plc	33.3	+/-3.0
Total		**100.0**	

3. Rebalancing

There is no pre-defined or automatic rebalancing between the Hedge Management Portfolio and Non-Hedge Management Portfolio, nor between the funds within the Hedge Management Portfolio and Non-Hedge Management Portfolio, other than where required for liability hedge management purposes.

If a recapitalisation event occurs (where the Hedge Management Portfolio requires additional capital in order to maintain the target hedge ratios), Mercer will review the Plan's overall asset allocation and has discretion to implement any trades/rebalancing deemed to be appropriate to move as close as is practicable to the liability hedge ratio target.

Where such rebalancing within the Hedge Management Portfolio is deemed by Mercer to be insufficient to maintain a similar level of interest rate and inflation sensitivity in the Hedge Management Portfolio, Mercer may, to the extent it deems appropriate, take further action to rebalance assets between the Non-Hedge Management Portfolio and Hedge Management Portfolio with the objective of managing the overall level of interest rate and inflation sensitivity.

The Trustee notes that, in such an event, the level of expected return and/or expected cash-flow profile of the Plan's assets may change as a result.

4. Cashflow

In the event of cash-flows into, or out of, the Account, the Manager will invest or disinvest these as soon as reasonably practicable pursuant to the following:

Investments

Following notification from the Client in respect of a new cash-flow, investments will be processed into the Mercer Funds at the Manager's discretion.

Disinvestments

Following notification from the Client in respect of an outflow, disinvestments will be processed from the Mercer Funds at the Manager's discretion.

Distributions

The Manager may invest in accumulating or distributing share classes of Mercer Funds at its discretion, where such a choice exists. Should the Account invest in a distributing share class, according to the Client's separate instruction distribution proceeds will either be paid to the Trustee Bank Account or, where permitted by the Supplement of a Mercer Fund, reinvested. The Trustee's current policy is to transfer these proceeds to the Trustee Bank Account in order to efficiently meet the Plan's cash-flow needs.

5. Individual Fund Benchmarks and Tracking Error Targets

As detailed in the Investment Management Agreement, the Trustee has delegated responsibility for setting the asset allocation within the Non-Hedge Management Portfolio and the Hedge Management Portfolio to Mercer.

Responsibility for monitoring the Plan's asset allocation and undertaking any rebalancing activity is delegated to Mercer. Mercer will report on the Plan's asset allocation in quarterly reports and discuss any changes or rebalancing activity made to the allocation at Trustee meetings.

The performance objectives and benchmarks for each of the Mercer portfolios that the Plan may invest in from time to time (to construct the Non-Hedge Management and Hedge Management Portfolios) are set out in the following table:

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.)[1]	Tracking Error Expectation (%p.a.)[1]
Mercer Multi Asset Credit (Hedged)	**Reference Index:** 50% ICE BofAML Global High Yield Constrained Hedged Index + 50% S&P/LSTA US Leveraged Loans Hedged Index **Performance BM:** FTSE GBP 1 Month Euro Deposit index	**Long term primary objective:** Cash +3% p.a. (net of fees) **Medium-term and secondary objective:** to achieve better risk-adjusted returns than the reference index	5.0 - 10.0 [2]
Mercer Tailored Credit Fund 1	ICE No Benchmark Assigned[3]	n/a	n/a
Mercer Tailored Credit Fund 2	No Benchmark Assigned[3]	n/a	n/a
Mercer Sterling Inflation Linked LDI Bonds	BlackRock Custom Benchmark	n/a	Less than 0.25
Mercer Flexible LDI Fixed Enhanced Matching Fund 2	BlackRock Flexi Fixed Medium Index	Perform in line with the benchmark	n/a
Mercer Flexible LDI Fixed Enhanced Matching Fund 3	BlackRock Flexi Fixed Long Index	Perform in line with the benchmark	n/a
Mercer Flexible LDI Real Enhanced Matching Fund 1	BlackRock Flexi Real Short Index	Perform in line with the benchmark	n/a
Mercer Flexible LDI £ Real Enhanced Matching Fund 2	BlackRock Flexi Real Medium Index	Perform in line with the benchmark	n/a

Mercer Portfolio	Benchmark Index	Performance Target (%p.a.)[1]	Tracking Error Expectation (%p.a.)[1]
Mercer Flexible LDI £ Real Enhanced Matching Fund 3	BlackRock Flexi Real Long Index	Perform in line with the benchmark	n/a
Mercer Flexible Enhanced Matching Inflation	As portfolio	Perform in line with the benchmark	n/a
MGI UK Inflation Linked Bonds	FTSE Actuaries UK Index-Linked Gilts Over 5 Years	Perform in line with the benchmark	Less than 0.25
MGI UK Long Gilts	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Perform in line with the benchmark	Less than 0.25
Mercer Short Dated UK Gilt Fund	FTSE Actuaries UK Up to 5 Year Gilts Index	Perform in line with the benchmark	Less than 0.25
Mercer Sterling Nominal LDI Bonds	BlackRock Custom Benchmark	n/a	Less than 0.25
MGI UK Cash	FTSE GBP 1 Month EUR Deposit	n/a	0.5

1) Measured over rolling 5 year periods unless otherwise stated
2) Expressed as expected volatility (annualised standard deviation of monthly returns) ranges given these strategies have a cash plus objective.
3) This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.

6. Review of this Statement

The Trustee will review this Statement in conjunction with any review of the Statement of Investment Principles and without delay after any significant change in investment arrangements.