Statement of Investment Principles
P&O Princess Cruises Pension Scheme – DB Section
February 2025

Introduction

1 This document is the Statement of Investment Principles (the 'SIP') made by the Trustee of the P&O Princess Cruises Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). This SIP refers to the Defined Benefit section of the Scheme only.

2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took advice from a suitably qualified firm and consulted Carnival Plc. (the 'Company'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

Investment objectives

3 The Trustee has the following investment objectives:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Company, the cost of current and future benefits which the Scheme provides, and to ensure the security, quality and profitability of the portfolio as a whole.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.
- To minimise the long term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under the points above.

Investment strategy

4 The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify risk exposures and to manage its investments effectively.

5 The investment strategy makes use of three key types of investments:

- a range of instruments that provide a broad match to changes in liability values and cashflows to pay pensions (including high quality bonds);
- a portfolio of secure income assets; and
- a diversified portfolio of return-seeking assets.

6 The Trustee has appointed investment managers to manage the Scheme's assets. The Trustee has appointed an Investment Adviser to provide investment advisory services to the Trustee (the "Investment Adviser"). The balance within and between these investments will be

determined from time-to-time by the Trustee, with the objective of maximising the probability of achieving the Scheme's investment objective.

7 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

8 The Trustee will monitor the assets and liabilities of the Scheme and will regularly review, in conjunction with the Investment Adviser and the Scheme Actuary, the appropriateness of its investment strategy.

9 The expected return of all the Scheme's investments will be monitored regularly and will be related to the Scheme's investment objective.

10 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the allocation of the Scheme's overall investments, where possible.

Investment managers

11 The Trustee is responsible for the selection and de-selection of investments. and for the management of relationships with its investment managers. The Trustee takes advice from the Investment Adviser in relation to these responsibilities.

12 The Trustee considers each investment managers' performance against their agreed objectives as part of its ongoing oversight of the investment managers. The Trustee also considers the overall performance of the assets versus the liabilities as part of its ongoing oversight of the Investment Adviser. The Trustee ensures that the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in this SIP so far as reasonably practicable, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee, with advice from the Investment Adviser, checks that the investment objectives and guidelines of pooled vehicles managed by investment managers are consistent with the Trustee's policies contained in the SIP.

13 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers. The investment managers provide the skill and expertise necessary to manage the investments of the Scheme competently. The duration of the arrangements with investment managers will be determined on an individual basis taking into account the nature of the relevant investment mandate. In most cases, managers are appointed with the expectation of a long-term relationship but with an ability to terminate where considered appropriate. However, there may be occasions when managers are put in place for a short period or a fixed period, depending on the nature of the investment strategy.

14 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Investment Adviser maintains processes to ensure that performance and risk at an individual manager level and on the Scheme's aggregate assets are assessed on a regular basis against measurable objectives, consistent with the achievement of the Scheme's long-term objectives.

15 The Trustee, with advice from the Investment Adviser, appoints investment managers with an expectation of a long-term partnership with the Trustee. The Trustee focuses on longer-term outcomes, commensurate with its position as a long-term investor. Consistent with this view, the Trustee does not expect to terminate an investment manager's appointment based purely on short term performance but recognises that it may terminate an investment manager within

a short timeframe due to other factors such as a significant change in their business structure or investment team.

16 For most of the Scheme's investments, the Trustee expects to appoint investment managers with a medium to long time horizon, consistent with that of the Scheme. The Trustee expects, where feasible, the investment managers will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that for certain asset classes or strategies, such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

17 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Scheme's investment managers. However, the Trustee recognises that an investment's long-term financial success is influenced by a range of financially material factors including environmental, social and governance (ESG) issues.

18 The Trustee's focus is explicitly on financially material factors. The Trustee's policy at this time is not to take into account non-financial matters.

19 When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations, but has identified climate, nature and health as three areas of focus for the Scheme, and consequently, these are key areas of focus for the Trustee. The Trustee assesses that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustee's fiduciary duties and the financial security of its members. Whilst the Trustee's policy is to delegate a number of stewardship activities to the investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee incorporates an assessment of how well the investment managers exercise these responsibilities as part of its overall assessment of their performance.

20 The Investment Adviser has dedicated Sustainable Investment experts. The consideration of ESG issues is fully embedded in the investment manager selection process, with monitoring and reporting to the Trustee undertaken on an ongoing basis.

21 The Trustee, with advice from the Investment Adviser, assesses the alignment of each investment manager's approach to sustainable investment (including engagement) with its own before making an investment. The Trustee engages with the investment managers, where appropriate, via the Investment Adviser, regarding the managers' approach to stewardship. The Trustee, via the Investment Adviser, reviews the investment managers' approach to sustainable investment (including engagement) on a periodic basis and engages with the investment managers to encourage further alignment as appropriate. Where an investment manager's processes are deemed insufficient and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

22 The Trustee, with the help of its Investment Adviser, considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures.

23 The Trustee encourages and expects the Scheme’s investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes.

24 The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee assesses the voting policies of the investment managers that it appoints for consistency with its own policies, including its stewardship priorities, and objectives, as appropriate.

25 The Trustee considers the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial appointment of an investment manager and on an ongoing basis. Investment managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee, with assistance from the Investment Adviser, reviews the costs incurred in managing the Scheme’s assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee has regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Other matters

26 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.

27 The Scheme's AVC arrangement provides benefits with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members.

28 The Trustee recognises a number of risks involved in the investment of the Scheme’s assets, and, where applicable, monitors these risks on an ongoing basis.

Solvency risk and mismatch risk:

- are measured through a qualitative and quantitative assessment of the expected development of the funding level.
- are managed through the development of a portfolio consistent with delivering the Scheme’s investment objective.

Investment Manager risk:

- is measured by the expected deviation of the return relative to the benchmark.
- is managed by considering when to employ active versus passive management given prospective net of fees returns, consideration of the appropriate amount of the Scheme to allocate to any active portfolios and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers’ investment process.

Liquidity risk:

- is measured by the level of cash flow required by the Scheme over a specified period.

- is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk:

- is measured by the level of exposure to non-Sterling denominated assets.

- is managed by the implementation of a currency hedging programme (carried out within some of the pooled investment vehicles) which reduces the impact of exchange rate movements on the Scheme's asset value.

Custodial risk:

- is addressed through investment in pooled vehicles, with the investment managers being responsible for selection of suitable custodians. Un-invested cash balances will be swept into pooled cash funds, as appropriate, which will be managed by an investment manager who, in line with other investment managers of pooled vehicles for the Scheme is responsible for selecting the custodian for the cash funds.

Interest rate and inflation risk:

- are measured by comparing the net sensitivities of the Scheme's liabilities and assets to movements in inflation and interest rates.

- are managed by holding a portfolio of matching assets (physical bonds and/or derivatives via pooled funds) that enable the Scheme's assets to broadly match movements in the value of the liabilities due to inflation and interest rates. The Investment Adviser advises on the risks (such as derivatives risk and collateral risks) relating to the matching assets portfolio.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.

- is managed by regular reviews of the actual investments relative to policy and through the level of country diversification within the policy.

Sponsor risk:

- is measured by receiving regular financial updates from the Company and periodic independent covenant assessments.

- is managed through an agreed contribution and funding schedule.