Chevron UK Pension Plan (the "Plan")

Annual statement regarding governance of DC benefits: 2020 Governance Year

1 Introduction

This statement has been prepared by the trustee of the Chevron UK Pension Plan (the “**Plan**”), Chevron UK Pension Trustee Limited (the “**Trustee**”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (the “**Administration Regulations**”) 1996 (as amended). It describes how the Trustee has met the statutory governance standards applicable to defined contribution (“**DC**”) benefits in relation to:

- the default arrangement(s)
- requirements for processing financial transactions
- assessment of member-borne charges and transaction costs
- the requirement for trustee knowledge and understanding

between 1 January 2020 and 31 December 2020 (the “**2020 Governance Year**”).

2 Default arrangements

The following arrangements are “default arrangements” in regard to the Plan for the purposes of the Administration Regulations:

- **Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy (the “Core Default Arrangement”)**
- **Fidelity BlackRock World (ex-UK) Equity Index Fund**
- **Fidelity Blackrock UK Equity Index Fund**
- **Fidelity Blackrock Equity/Bond Split 75/25 Fund**
- **Fidelity Blackrock Over 15 Years UK Gilt Index Fund**
- **Fidelity Blackrock Cash Fund**

Together referred to as the “**Default Arrangements**”.

The **Core Default Arrangement** is the arrangement that contributions in respect of the DC Element of New Section members of the Plan are paid in to if a member does not make an alternative choice.

The **Fidelity BlackRock World (ex-UK) Equity Index Fund** is classified as default arrangement because some members invested in it previously chose to invest in the four regional equity funds that were mapped to this arrangement by the Trustee as part of the fund consolidation exercise in 2016.

The other four funds above are classified as default arrangements because they contain investments from certain members who previously held AVC assets with Utmost Life and Pensions that were mapped into these arrangements as part of an AVC consolidation exercise in 2020. Further details are set out in this statement.

Aims and Objectives of the Default Arrangements

The aims and objectives of the **Core Default Arrangement** are to provide good outcomes for members by targeting growth with an appropriate degree of risk during a member's early years of investment, and gradually moving to investment in a lower risk cash fund as the member approaches their selected retirement date (the movement towards lower risk investments being referred to in this statement as the "lifestyle strategy"). The default lifestyle strategy moves towards being 100% invested in Fidelity BlackRock Cash Fund at retirement to mitigate potentially mismatching risk by investing in the way in which members commonly take their accrued funds at retirement.

The aims and objectives of the **Fidelity BlackRock Cash Fund** are to provide a secure investment option for members who wish to take a low level of investment risk. As well as being a default arrangement in its own right following the AVC consolidation exercise in 2020, it is used as part to provide the lifestyling element of the Core Default Arrangement.

The **Fidelity BlackRock World (ex-UK) Equity Index Fund** invests in shares of overseas companies (Europe ex UK, Japan, Pacific Rim, US and Canadian markets) according to market capitalisation weightings and aims to produce a return in line with its benchmark, which is the FTSE All-World Developed ex UK Index. The aims and objectives of this Fund are to provide members with an equity based investment option that meets their risk and return requirements and to give members the freedom to structure their own investment portfolio from the range of different asset classes that are made available.

The **Fidelity Blackrock UK Equity Index Fund** invests in shares of UK companies and aims to produce a return in line with the FTSE All Share Index. The objective of the Fund is to provide an equity-based investment option giving investors UK investment exposure.

The **Fidelity Blackrock Equity/Bond Split 75/25 Fund** invests in passively managed funds which invest in global equities (75%), corporate bonds (18.75%) and in Government index-linked securities (6.25%). The Fund aims to provide long term capital growth (by investing a significant proportion of its assets in equities), whilst investing a small element invested in bonds and government index-linked securities in order to reduce the potential investment volatility of the fund. It aims to provide a return in line with its benchmark, which is composite benchmark based on UK, overseas equity, and corporate bond and gilt indexes, in line with the target asset allocations.

The Fidelity Blackrock Over 15 Years UK Gilt Index Fund is designed to provide members with a lower risk investment option that also provides protection against inflation. It does this by tracking the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index.

2.1 Review of the Default Arrangements

The Trustee, in conjunction of their investment advisors Willis Towers Watson ("**WTW**"), carried out a review of the strategy and performance of the Default Arrangements (completed on 22 September 2020). This was a part of the formal triennial DC investment review. This review assessed whether the full range of investment options, including the Core Default Strategy, remained appropriate for the Plan membership and included an assessment of the fund objectives and performance which are taken into account in the assessment of the suitability of the funds undertaken by the investment adviser.

The Trustee reviewed the extent to which the return on investments relating to the Default Arrangements (after deduction of any charges relating to those investments) is consistent with their aims and objectives in respect of those arrangements.

Review of the Core Default Arrangement

The review concluded that the Core Default Arrangement, a lifestyle strategy targeting cash at retirement, remains appropriate as the core default investment strategy for New Section members with a DC Element. This conclusion was supported by demographic analysis of relevant Plan members undertaken by WTW on behalf of the Trustee, using information gathered on the choices made by members who have recently retired. This analysis suggests that the large majority of Plan members use their DC investments to contribute towards their tax-free cash allowance alongside their accrued defined benefit rights in the Plan.

The Trustee also considered how best to move the investments from higher risk investments during the accumulation phase (when members are more than 5 years from retirement) to being 100% invested in cash at the members expected retirement date ('the de-risking strategy'). Based on the analysis undertaken, including the member demographics, the Trustee decided that the existing 5-year de-risking strategy remained appropriate.

The Trustee acknowledged that UK equities have consistently underperformed global equites, and that the accumulation phase of the core Default strategy investment has a higher weighting to UK equities than its market capitalisation (i.e. the proportion of equities invested in UK equities is higher than the size of the UK equity markets relative to global markets). However, the Trustee also took into account the impact of the Covid-19 pandemic on investment market conditions and (at the time) the UK's impending economic withdrawal from the European Union ('Brexit') on the DC investments in the Plan. It was acknowledged that this had created more volatile investment conditions meaning that there was additional risk in making significant asset allocation changes at the time of the review. The Trustee therefore resolved to check that the existing asset allocation and de-risking strategy within the Core Default Arrangement continues to remain appropriate once the impact of Covid-19 pandemic and Brexit on the long-term investment markets is clearer.

The Trustee will continue to monitor member retirement choices in practice at regular Trustee meetings, looking for evidence of any change in retirement approach amongst the membership, as well as monitor the suitability of the Core Default Arrangement. The Trustee has also agreed to gather further information on member views in relation to environmental, social and governance matters.

Review of the Default Arrangements (excluding the Core Default Arrangement)

The review also considered the ongoing suitability of the Default Arrangements (excluding the Core Default Arrangement), with respect to the aims and objectives of the funds, and it was concluded that they remained appropriate for the Plan demographic and member's needs. This was determined by considering whether the Default Arrangements (excluding the Core Default Arrangement) remained appropriate as investment options within the wider range of investment choices determined to be appropriate to meeting members' risk and return requirements, and whether the charges remained appropriate.

The Trustee reviewed the investment performance of the Default Arrangements as part of the formal triennial investment review and on a quarterly basis, and concluded that the investment returns relating to the Default Arrangements (after the deduction of charges) were consistent with the aims and objectives of the Default Arrangements.

Review of the self-select funds

The review also considered the self-select investment fund range (i.e. those funds which are not Default Arrangements) made available to members with DC investments in the Plan and concluded that these remain appropriate, and that their performance was also consistent with their aims and objectives.

Next review

The next formal review of the Default Arrangements will be undertaken in 2023.

2.2 Statement of investment principles

Appended to this statement is a copy of the Plan's latest defined contribution statement of the investment principles (dated 30 September 2020) governing decisions about investments for the purposes of the Default Arrangements, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Statement of Investment Principles**").

The Trustee is in the process of updating the Statement of Investment Principles to reflect that the four funds that were mapped into as part of the AVC consolidation exercise in 2020 are now classified as default arrangements. A new version of the Statement of Investment Principles will be adopted once those updates are finalised.

3 Requirements for processing financial transactions

"Core financial transactions" include (but are not limited to):

- investment of contributions in the Plan
- transfers of assets relating to members into and out of the Plan
- transfers of assets relating to members between different investments within the Plan
- payments from the Plan to, or in respect of, members.

During the 2020 Governance Year, the Trustee secured that "core financial transactions" were processed promptly and accurately by ensuring that its providers were required to process transactions in this way and monitoring its providers' compliance with these obligations.

Plan administrator

Barnett Waddingham is the main Plan administrator and provides overarching administration services in relation to the Plan. Barnett Waddingham work closely with Fidelity, the Plan's DC administrator and investment platform provider, in respect of the New Section of the Plan, ensuring that monthly contributions are reconciled and invested in a timely manner, settling DC benefits as required in tandem with DB rights in the Plan and paying combined transfer values.

Monitoring of providers' processes

The Trustee has implemented ways of ensuring that its providers process core financial transactions promptly and accurately. The first way is the "Monthly Contribution Process" designed and implemented on behalf of the Trustee and the second way is via service legal agreements (SLAs).

Monthly Contribution Process

The Trustee monitors compliance with the agreed Monthly Contribution Process. This is a step-by-step process which intends to ensure prompt and accurate end-to-end interactions regarding receipt and investment of contributions between the Employer, Barnett Waddingham and Fidelity.

The Trustee has agreed the Monthly Contribution Process with its providers in order to ensure and monitor timely and accurate investment of the contributions on a monthly basis. Barnett Waddingham and Fidelity have confirmed that they have complied with all applicable steps of the Monthly Contribution Process in the 2020 Governance Year.

Quarterly administration reports and SLAs

The Trustee also monitors (via quarterly administration reports) the reporting by Barnett Waddingham and Fidelity, including task performance against SLAs to check whether core financial transactions were accurate, up to date, completed within applicable statutory timescales and within the agreed SLAs. The administration reports cover performance against the SLAs and the extent to which any deadlines have been breached. The Trustee is satisfied that the SLAs in place with Barnett Waddingham and Fidelity (as appropriate to the tasks each performs), taken together cover the accuracy and timeliness all core financial transactions.

The contractually agreed SLA with Barnett Waddingham covers a range of pension scheme administration tasks including general administration (such as ensuring Employer contributions are paid to the Plan on a timely basis and reconciling these contributions), member transactions (such as maintaining records for members paying contributions and arranging transfers-out of the Plan on request), regular updates (such as validating data from a payroll file and processing contribution allocations and arranging payment to the investment managers), producing benefit statements and disinvesting DC assets in certain circumstances.

During the 2020 Governance Year, Barnett Waddingham's overall SLA performance was between 90-94% and there were no DC-related issues.

The Trustee does not have a contractually agreed SLA in place with Fidelity, however Fidelity utilises and adheres to internally agreed SLAs. These internally agreed SLAs are reflected in Fidelity's quarterly administration reports which cover the accuracy and timeliness of all core financial transactions performed by Fidelity. The quarterly administration reports cover a range of tasks including contributions, retirement and benefits, transfers in and transfers out. Throughout the 2020 Governance Year, Fidelity's overall SLA average was 99.8% and there were no reportable issues.

The performance of Barnett Waddingham and Fidelity is reviewed annually. Additionally, SLA performance in relation to the processing of transfers is monitored as part of the monthly statistics / billing process and this did not reveal any issues.

Processes to ensure core financial transactions are processed promptly and accurately

Barnett Waddingham and Fidelity have a number of processes in place to ensure that core financial transactions are processed promptly and accurately and in accordance with the relevant SLAs and Monthly Contribution Process. These include:

- Fidelity monitoring the relevant bank account four times daily and having a dedicated contribution processing team.
- For all operational unautomated processes Fidelity having a "four-eyes" checking process in place, including dealing with investments.
- Barnett Waddingham's administration team monitoring the relevant bank account and investments/disinvestments.
- All of Barnett Waddingham's processes being subject to checking. If the process involves a benefit payment, other payment or investment / disinvestment then the payment is authorised by a senior member of the team (this is not the same person who reviews the process).
- Barnett Waddingham's internal controls Cashstream transactions being reconciled against the accounting system by the accounts team at least monthly, following receipt of the bank statement. The team investigates any differences and the reconciliation process continues until the team is able to establish a cleared balance on the accounting system equal to that on the bank statement. In addition to this a monthly forecast is also completed by the administration team to ensure sufficient funds remain in the account to meet the Plan's future obligations.

The Trustee is satisfied that overall the above processes ensured that core financial transactions were processed promptly and accurately during the 2020 Governance Year.

4 Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

In accordance with regulation 25(1)(a) of the Administration Regulations, the Trustee calculated the "charges" and, so far as they were able to do so, the "transaction costs", borne by members of the Plan for the 2020 Governance Year.

For these purposes:

- “charges” means, broadly, administration charges other than:
  - “transaction costs”;
  - costs the court determines trustees can recover;
  - certain pension sharing on divorce costs;
  - “winding-up costs”; and
  - costs solely associated with the provision of death benefits.
- “transaction costs” means the costs incurred as a result of the buying, selling, lending or borrowing of investments. Transactions can have a positive or negative effect on each fund and hence transaction costs can be positive or negative. For example, if the transaction involves a net inflow of assets into a particular fund, this can sometimes have a positive effect on the price of each unit in the fund. The reverse can also be true.
- “winding up costs” means the costs of winding up a pension scheme including (but not limited to) the cost of:
  - Legal advice
  - Tracing, consulting and communicating with members
  - Advice on exiting investments
  - Selection of an alternative scheme or investments.

The “annual management charge” is the charge for managing pension scheme investments, expressed as a percentage of the assets. It is usually deducted prior to the calculation of the unit price and may incorporate both administration and investment charges. The Trustee has also set out the “annual management charge” for each fund available under the Plan for information.

The Trustee has been working with its advisers to obtain transaction cost information covering the 2020 Governance Year for publication in this statement. However, at the time of preparing this statement, transaction cost for the complete 2020 Governance Year is not available. This is because the underlying information had not been made available by the funds’ managers. Transaction cost information provided in this statement is annualised and covers the period:

- from 1 October 2019 to 30 September 2020 for all funds held on the Fidelity platform; and
- from 1 July 2019 to 30 June 2020 for all funds invested through Utmost Life and Pensions.

<u>Core Default Arrangement – charges</u>

During the 2020 Governance Year the level of charges applicable to the Core Default Arrangement were as follows.

Charges of 0.200% to 0.248% of the monies held in the Core Default Arrangement (including Annual Management Charges (AMCs) of 0.200% to

0.235%) applied, depending on the asset allocation at the time of assessment of charges. For this (and the other lifestyle strategies offered by the Trustee) the allocation of the assets between the components within the lifestyle strategies will change as the member approaches their selected retirement date, and hence the range of charges which applied to members is shown. The charges are comprised of:

- 0.248% in respect of the Core Default Arrangement (including Annual Management Charge of 0.279%); and
- 0.200% in respect of the Fidelity BlackRock Cash Fund (including Annual Management Charge of 0.200%).

Core Default Arrangement – ongoing transaction costs

Ongoing transaction costs are taken into account via the unit price for each of the funds that make up the Core Default Arrangement. The following transaction cost information has been provided by Fidelity:

- The transaction costs incurred from 1 October 2019 to 30 September 2020 ranged from 0.00% to 0.06%. This varied over time and depended on term to retirement.

The Trustee considered these transaction costs to be within their reasonable expectations when compared to market experience for similar funds (based on research undertaken by the Trustee's investment adviser).

Default Arrangements (excluding the Core Default Arrangement) – charges

The levels of charges (and Annual Management Charges (AMC) which form part of the overall charges) applicable to the Default Arrangements (excluding the Core Default Arrangement) in which assets relating to members were invested over the 2020 Governance Year were as follows.

Asset class	Fund	AMC (%)	Overall charges (%)
Global equities	Fidelity BlackRock World (ex-UK) Equity Index Fund	0.250	0.260
UK Equities	Fidelity BlackRock UK Equity Index Fund	0.250	0.260
Bonds	Fidelity BlackRock Over 15 Years UK Gilt Index Fund	0.150	0.150
Cash	Fidelity BlackRock Cash Fund	0.200	0.200

Blended fund (where a single charge applies but constructed from a combination of other funds within the Plan's investment fund range)	Fidelity Chevron Equity/Bond Split 75/25 Fund	0.253	0.265

Default Arrangements (excluding the Core Default Arrangement) – transaction costs

The following transaction cost information has been provided by Fidelity (which covers the transaction costs incurred from 1 October 2019 to 30 September 2020):

Asset class	Fund	Transaction cost (%)
Global equities	Fidelity BlackRock World (ex-UK) Equity Index Fund	0.04
UK Equities	Fidelity BlackRock UK Equity Index Fund	0.05
Bonds	Fidelity BlackRock Over 15 Years UK Gilt Index Fund	-0.05
Cash	Fidelity BlackRock Cash Fund	0.00
Blended fund (where a single charge applies but constructed from a combination of other funds within the Plan's investment fund range)	Fidelity Chevron Equity/Bond Split 75/25 Fund	0.07

The Trustee considered these transaction costs to be within their reasonable expectations when compared to market experience for similar funds (based on research undertaken by the Trustee's investment adviser).

Self-select funds (excluding those covered above) - charges

The levels of charges (and Annual Management Charges (AMC) which form part of the overall charges) applicable to other funds which were available on a self-select basis through Fidelity and in which assets relating to members were invested over the 2020 Governance Year were as follows:

Asset class	Fund	AMC (%)	Overall charges (%)
Global equities	Fidelity BlackRock 30:70 Currency Hedged Global Equity Fund	0.270	0.280
Bonds	Fidelity BlackRock Over 5 Years Index Linked Gilt Fund	0.200	0.200
	Fidelity BlackRock Corporate Bond Index Fund All Stocks	0.200	0.220
Emerging markets	Fidelity BlackRock Emerging Markets Fund	0.350	0.410
Multi-asset	Fidelity Chevron BlackRock Consensus Fund	0.200	0.200
Shariah Law	Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund)	0.450	0.450
Blended funds (these are funds where a single charge applies but constructed from a combination of other funds within the Plan's investment fund range)	Fidelity Chevron Equity/Bond Split 50/50 Fund	0.235	0.248
	Fidelity Chevron Equity 100 Fund	0.270	0.280

Lifestyle strategies	Fidelity Chevron Equity/Bond Split 75/25 Lifestyle Strategy	0.200 to 0.253 (depending on the member's stage within the strategy)	0.200 to 0.265 (depending on the member's stage within the strategy)
	Fidelity Chevron Equity 100 Lifestyle Strategy	0.200% to 0.270% (depending on the asset allocation within the strategy)	0.200% to 0.280% (depending on the asset allocation within the strategy)

<u>Self-select funds (excluding those covered above) – transaction costs</u>

The following transaction cost information has been provided by Fidelity (which covers the transaction costs incurred from 1 October 2019 to 30 September 2020):

Asset class	Fund	Transaction costs (%)
Global equities	Fidelity BlackRock 30:70 Currency Hedged Global Equity Fund	0.08
Bonds	Fidelity BlackRock Over 5 Years Index Linked Gilt Fund	0.00
	Fidelity BlackRock Corporate Bond Index Fund All Stocks	0.06
Emerging markets	Fidelity BlackRock Emerging Markets Fund	1.66
Multi-asset	Fidelity Chevron BlackRock Consensus Fund	-0.03
Shariah Law	Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund)	-0.88

Blended funds (these are funds where a single charge applies but constructed from a combination of other funds within the Plan's investment fund range)	Fidelity Chevron Equity/Bond Split 50/50 Fund	0.06
	Fidelity Chevron Equity 100 Fund	0.08
Lifestyle strategies	Fidelity Chevron Equity/Bond Split 75/25 Lifestyle Strategy	0.00% to 0.07% (depending on the member's stage within the strategy)
	Fidelity Chevron Equity 100 Lifestyle Strategy	0.00% to 0.08% (depending on the asset allocation within the strategy)

The transaction costs shown for the Fidelity BlackRock Emerging Markets Fund and the Fidelity HSBC Islamic Pension Fund show significant deviations from the transaction costs shown in recent years for these funds. These two funds are the funds within the investment range available that are viewed by the Trustee's investment adviser as having the highest potential level of investment volatility. The Covid-19 pandemic led to increased investment market volatility in 2020, and so it is unsurprising to see higher levels of transaction costs across these two funds incurred in 2020. However, these deviations in transaction costs are considered to be reasonable taking account of market conditions. This is because, in both cases, the fund managers imposed an anti-dilution levy on the funds. An anti-dilution levy is an adjustment imposed on transactions within the funds aimed at ensuring that such investment transactions do not take place on terms which do not take full account of the investment market volatility present at the time. This is a standard approach taken by investment managers in times of investment market volatility and the Trustee's investment adviser has confirmed that the size of the anti-dilution levies (and the resultant level of the transaction costs) for these funds is within normal market expectations in similar circumstances.

Utmost Life and Pensions funds

The Plan previously offered a range of Equitable Life investment funds (Unit-linked and With-profits) that were only available for historic additional voluntary contributions (AVCs) and were not available to New Section members of the Plan.

On 1 January 2020 Equitable Life implemented the outcome of its successful Guarantee Exchange Scheme (GES) to transfer its UK investments to Utmost Life and Pensions (Utmost), and close its With-Profits Fund, moving these assets to its temporary Secure Cash Fund, pending their transfer to a longer term investment choice (or choices). Equitable Life added an uplift to the amounts transferred to the Utmost Secure Cash Fund as part of its GES.

Following this, the Trustee transferred the investments in the Utmost Secure Cash Fund to the Fidelity BlackRock Cash Fund in April 2020. Its original intention had been to transfer these investments to the Core Default Arrangement, but this plan was changed due to the volatile market conditions prevalent at the time.

In July 2020 the Trustee transferred the unit-linked investments held with Utmost (formerly invested in the same funds through Equitable Life) into the existing range of unit linked investment funds held with Fidelity, using an investment mapping recommendation provided by its investment adviser. The Trustee intends to move the former with-profit investments now held in the Fidelity BlackRock Cash Fund to the Core Default Arrangement when market conditions are appropriate for this to happen (although members will have the option to opt out of the proposed move).

Set out below are the charges incurred in the Utmost Life and Pensions funds in 2020 before the assets were transferred into the Plan’s fund range administered by Fidelity.

Utmost Life and Pensions Funds - charges

The levels of charges (and Annual Management Charges (AMC) which form part of the overall charges) applicable to the Unit-linked funds through Utmost Life and Pensions in which members were invested from January 2020 to July 2020 were as follows:

Asset class	Fund	AMC (%)	Overall Charges (%)
Global equities	International Fund	0.750	0.750
UK Equities	UK FTSE All Share Tracker Fund	0.500	0.500
	Pelican Fund	0.750	0.750
Bonds	Gilt and Fixed interest Fund	0.500	0.500
Multi-Asset	Managed Fund	0.750	0.750
Cash	Money Market Fund	0.500	0.500

Utmost Life and Pensions Funds – transaction costs

The transaction costs for the Utmost Life and Pensions Unit-linked funds set out below are the latest available at date of preparing this statement. They are the annual costs in the year from 1 July 2019 to 30 June 2020:

Equitable Life Unit-linked Funds	Aggregate Transaction costs (%)
International	0.01
Pelican	0.00
UK FTSE All Share Tracker	0.01
Gilt and Fixed Interest	0.02
Managed	0.01
Money Market	0.00

The Trustee considered these transaction costs to be within their reasonable expectations when compared to market experience for similar funds (based on research undertaken by the Trustee's investment adviser).

Illustrative examples of the cumulative effect of costs and charges

Appended to this statement are illustrative examples of the cumulative effect of costs and charges on the value of a member's accrued rights (in accordance with Reg 23(1)(ca) of the Administration Regulations 1996).

The illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for a range of Plan members and investment funds.

4.2 Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee assessed the extent to which the charges and transaction costs set out in section 4.1 above represent good value for members. To help them with this assessment, the Trustee obtained an independent value for members assessment for the 2020 Governance Year from its investment consultant.

The Trustee reviewed the independent value for members assessment and agreed with its conclusions that the combined value provided to members by the investment, administration and communication services they pay for represents good value compared with the overall charges members pay. The assessment concluded that the Plan provides high quality and appropriate services to meet the needs of the Plan membership.

As mentioned above, it is worth noting that there are two main parties that provide administration services for the Plan. Firstly, members pay for the administration of their DC accounts with Fidelity through the bundled annual management charge and additional expenses which make up the overall charges. Secondly, additional overarching main Plan administration is carried out by Barnett Waddingham for which members do not bear the cost. Although the Trustee did assess the 'broader value' offered to members by benefits and service they do not pay for, the Trustee did not take these elements into account when concluding its value for members assessment for the purposes of regulation 25(1)(b) of the Administration Regulations.

The value for members assessment included:

- a review of the charges levied and an assessment of the extent to which the services members pay for meet members' needs.
- the extent of Fidelity's compliance with the Service Level Agreement.
- a comparison of the Plan with other similar schemes in the market.
- an assessment of the 'broader value' offered to members by benefits and services for which the members do not pay.
- a consideration of the following areas which encompass the total services members receive: governance and management, investment, administration and communications.

The Trustee considers the charges and costs represent overall good value for members for the following reasons:

- The Plan charges, in isolation, represent excellent value for members and are very competitive when compared against the market for 'bundled' schemes.
- Following a period of review after the proceeds of the Guarantee Exchange Scheme were received into the DC Section's Fidelity investment fund range from Utmost Life and Pensions (see section 4.1 for further details), Fidelity agreed to materially reduce the charges for several funds.
- Fidelity's administration performance relative to its SLA has been consistently strong over the 2020 Governance Year with respect to response times to member requests, with an overall SLA average over the year of 99.8%. This compares positively relative to the general market and suggests that Fidelity adapted well to the demands placed on its processes by the Covid-19 pandemic lockdown measures.
- The Trustee has consolidated its With-profits and AVC policies previously held with Equitable Life (and as a result of changes to Equitable Life's business, subsequently held by Utmost Life and Pensions Limited) into its DC investment fund range through Fidelity. This change was implemented in two stages in April 2020 and July 2020. This resulted in a reduction in the charges applying for investing these assets, and also meant that the investments were consolidated into funds that are more highly rated by the investment advisor, based on reviews of the Equitable Life/Utmost investment funds undertaken by the Trustee's investment adviser in August and November 2019.
- The communications issued to members by Fidelity are rated highly, relative to those offered by other pension providers and in the context of written materials. This high rating is primarily due to the feedback received by the investment advisor from a broad range of Fidelity clients on the quality of the communication materials. This provides Plan members with clear and accurate information, guidance and education on their benefits. Barnett

Waddingham provides hybrid communications to members, such as retirement quotations and benefit statements with relevant input from Fidelity. This joined up approach adds value for members in understanding their full benefit entitlement from the Plan.

- To meet the member need for access to accurate and up to date information Fidelity provides the online 'Plan Viewer' service to members. The Trustee also has a bespoke member guide and investment guide available to all members through 'Plan Viewer'.

- In addition to the services which members pay for, the Trustee provides ongoing monitoring and oversight of the Plan which provides a significant additional layer of broader value. Activities the Trustee undertakes include:

  - Monitoring the Plan on a regular basis and making changes where necessary to act in the best interest of members (such as the decisions made in relation to the investments held with Equitable Life/Utmost Life and Pensions).

  - Negotiating better terms with Fidelity (such as the reduction in charges in 2020).

  - Monitoring the Plan service providers and taking proactive action to address any issues.

  - Analysing the membership profile and risk appetite of members to implement an appropriate fund range (including default strategy).

  - Identifying areas where further communications are required to assist members managing their pension arrangements.

- In addition to the services which members pay for, the services of Barnett Waddingham add an additional layer of broader value meeting the specific needs of Plan members. For example, Barnett Waddingham takes the lead role in ensuring that information is provided to impending retirees in a co-ordinated way to aid their ability to make retirement choices.

The value for members assessment for the 2020 Governance Year did not identify any specific areas of poor value.

At the July 2020 Trustee Board meeting, the Trustee Directors reviewed the results of a retirement survey which was carried out during 2019 – the results were compared against the results from the retirement surveys carried out in 2017 and 2018. The survey revealed that:

- Overall, the experience of members had dropped slightly at the beginning of 2019, however in the second half of the year it recovered. Barnett Waddingham (who were appointed as administrator at the end of 2018) became more embedded and provided richer content for retirees as the year progressed.

- 77% of the respondents in 2019 found the quality of service to be 'acceptable', 'good', or 'very good'.

- In terms of the services used by members, the retirement quotation from the administrators, and Plan website and the retirement modeller seemed to be the most widely used services.

- Over 2017-2019, the majority of respondents fully or to some extent agreed that the services provided helped them feel more confident about their retirement options.

- In 2019, 70% of respondents were confident that the Plan was well-administered – the results demonstrated that confidence generally increased as 2019 progressed.

A retirement survey was also carried out in 2020, and the Trustee will be analysing the results in 2021.

5 Trustee knowledge and understanding (TKU)

The Trustee obtains advice on investment, legal and other issues from its professional advisers and is also able to call on the technical and investment expertise of the Company, in areas including legal compliance, data protection, pensions and benefits, and investment.

The Trustee Directors themselves collectively have a wealth of experience and knowledge across different areas, including the Trustee's legal obligations and trust law duties, information security and data protection obligations, finance, audit and business strategy experience. This enables the Trustee to challenge its advisers and other third parties appropriately and set and monitor suitable business plans for the Plan.

The Trustee Directors' approach to meeting the TKU requirements during the 2020 Governance Year included:

- receiving regular training and updates in relation to legal issues affecting the Plan, which enabled the Trustee Directors to learn about and discuss current legislative and regulatory requirements relating to the law on pensions and trusts. For example, at the September 2020 Trustee Board training day, the Trustee Directors received training on the new Pension Schemes Bill and recent Pensions Ombudsman cases.

- receiving regular updates on the latest pensions news and insights from their professional advisors, which enabled the Trustee Directors to keep up to date with relevant legal developments. For example, all the Trustee Directors receiving email updates (on a weekly, monthly and quarterly basis) from various sources including the Pensions Regulator, their legal and actuarial advisers.

- receiving regular updates regarding funding and investment, which enabled the Trustee Directors to learn about and discuss the principles relating to funding of occupational pension schemes and the investment of the assets of such schemes. For example, at the September 2020 Trustee Board training day the Trustee Directors received training on recent legislative changes to finance and investment matters, at the March Trustee Board meeting the Trustee Directors received an update on the transfer of Utmost (formerly Equitable Life) Funds to Fidelity and the Investment Committee provided an update on upcoming investment regulatory requirements

- considering and applying the Plan's trust deed and rules, statement of investment principles, statement of funding principles and other relevant policies where applicable to Trustee decisions. For example, in the 2020 Governance Year:

- the Trustee Directors reviewed and adopted new Statements of Investment Principles (one for defined contribution and one for defined benefit) which were considered by the Trustee Directors at the September Trustee Board meeting such that the Trustee Directors have a working knowledge of these documents. In adopting the new Statements of Investment Principles, the Trustee discussed the document at its Q3 2020 Trustee meeting, considered and applied the relevant Plan rules and applicable legislation, and consulted the Company.

- the Plan's Rules were amended to make changes relating to the tapered annual allowance, and the Trustee Directors received detailed legal advice explaining the amendments.

- the Trustee Directors updated a number of the Trustee's policies including the Conflicts of Interest policy, the Data Protection Policy, the Business Continuity Policy and the Table of Delegations.

- attending the Trustee Board training days on 30 June 2020 and 29 September 2020, where the Trustee Directors received training from the Trustee's professional advisers and considered the results of the Trustee's annual survey on trustee knowledge and understanding.

- some Trustee Directors attending other online conferences hosted by external parties on various topics, including the Pensions Regulator's 2020 vision, the implications of Covid-19 for pension scheme trustees and cyber security).

The Trustee has systems in place to ensure the Trustee Directors are conversant with the Plan's trust deed and rules, statement of investment principles, statement of funding principles and other Trustee policies relating to the administration of the Plan and have knowledge and understanding of the laws relating to pensions and trusts and the principles regarding funding and investment in relation to occupational pension schemes. These systems include identifying knowledge gaps and what appropriate training is needed for existing Trustee Directors. For example, the systems in place during the 2020 Governance Year included:

- the Trustee Directors undertaking the survey referred to above to assess trustee knowledge and understanding and identify any aspects for development that may be needed or where further training is appropriate. As part of this survey, the Trustee Directors were asked whether there was any training which they would like to receive in the future. A couple of topics were suggested (i.e. legislative/regulatory changes (including in relation to Environmental, Social and Governance factors) and this was covered during the September Trustee Board training day. The Trustee Directors will further develop their knowledge and understanding of these topics and others in the future, by receiving ad hoc training sessions at the quarterly Trustee Board meetings and at the 2021 Trustee Board training days due to be held on 29 June 2021 and 28 September 2021. The Trustee Directors will also be completing a survey on Trustee effectiveness in 2021, which is completed every two years.

- the Trustee Directors (except for the three new Trustee Directors referred to below), having previously completed all of the core modules (both DB and DC) in the Pensions Regulator's Trustee Toolkit, each hold the Pension Regulator's Trustee Toolkit certificate. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. The Trustee Toolkit includes a series of online learning modules and downloadable resources developed to help trustees meet the minimum level of knowledge and understanding required by law. The Trustee's training policy requires each Trustee Director to complete the Trustee Toolkit every four years. The dates on which each of these Trustee Directors (who were in office for all or part of the 2020 Governance Year) last completed the core modules of the Trustee Toolkit are as follows:

- Stewart Wright[1] – 17 December 2019
- William Alan Dennison – 9 July 2018
- John Trevor Jones – 29 November 2017
- Irene Melitas[2] – 28 November 2016
- Simon Owens – 28 August 2018
- David Poulter – 12 April 2019
- Taryn Shawstad[3] – 27 December 2019
- John Gregor Cameron – 22 November 2020
- Andrew Clitheroe – 3 April 2020

In addition to completing the core modules of the Trustee Toolkit, all the Trustee Directors (including the three new Trustee Directors referred to below) have completed the more recent pension scams module of the Trustee Toolkit.

- the Trustee Directors being encouraged to undertake additional study.

During the 2020 Governance Year, three new Trustee Directors were appointed to the Trustee Board. Beth Claar was appointed on 1 October 2020, Audrey Lamastro was appointed on 1 November 2020 and Nahid Ali was appointed on 30 November 2020. The Trustee has a structured induction process in place for any new Trustee Directors that is designed to ensure that they acquire the appropriate level of Trustee Knowledge and Understanding within 6 months of their appointment. During the 2020 Governance Year, the newly appointed Trustee Directors:

- undertook one-to-one training with the Plan's Actuary on 30 November 2020, covering their duties and responsibilities and the operation of the DC benefits;
- received a New Trustee Orientation Pack on appointment including the key documentation of the Plan (Plan's Trust Deed and Rules, statement of investment principles, statement of funding principles, schedule of contributions and other Trustee policies relating to the administration of the Plan). The provision of this information as part of the induction pack ensures that all Trustee Directors have read and are familiar with these documents from the start of their appointment;

[1] Resigned on 30 November 2020

[2] Resigned on 30 September 2020

[3] Resigned on 1 November 2020

- attended a Trustee meeting in an observational capacity prior to appointment;
- were given an overview by the outgoing Trustee Director before being appointed and received an overview on the role of a Trustee Director from the Pensions Manager before the first Trustee meeting;
- attended the September Trustee Board training day; and
- were given the support required to complete the Pensions Regulator's Trustee Toolkit – Audrey completed it on 25 January 2021, Beth completed it on 1 March 2021 and Nahid completed it on 12 April 2021.

Overall, the Trustee's Directors consider that as a result of the induction programme, training and study undertaken as referred to above, both collectively and personally their own knowledge and understanding, together with the advice which is available to the Trustee, enables the Trustee to properly exercise its function as trustee of the Plan.

Signed on behalf of the Trustee

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John Gregor Cameron **Date**

Chair of Chevron UK Pension Trustee Limited

APPENDIX 1 – Defined Contribution Statement of Investment Principles

Chevron UK Pension Plan

Defined Contribution Statement of Investment Principles – September 2020

1. Introduction

The Chevron UK Pension Plan (the "Plan") provides both a Defined Benefit (DB) and Defined Contribution (DC) Pension arrangement. The Trustee of the Plan has drawn up this Statement of Investment Principles ("the Statement") for the defined contribution section of the Plan to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation; a separate Statement has been produced for the DB arrangement.

As required under the Act, the Trustee has consulted suitably qualified persons and obtained written advice from Willis Towers Watson on this statement. The Trustee will take advice regularly from one or both of Chevron Benefit Plan Investments staff and Willis Towers Watson on the Plan's investments. The Trustee has also consulted Chevron Energy Limited (the "Company") as the sponsoring company, with regard to the principles outlined in this statement.

2. Plan Elements and Objectives. Investment Objectives, Policy, Strategies. Investment Risks and Risk Management.

2.1 Plan Elements and Objectives

The two defined contribution elements of the Plan are the DC element of the New Section (for employees joining since 1st January 2012 for eligible earnings over the DB earnings Cap and pensionable shift allowances) and Additional Voluntary Contribution (AVC) investments since 1st August 2006. These elements provide benefits in addition to the Plan's defined benefit accrual. Additionally, the Plan holds certain policies with Equitable Life which represent defined contribution entitlements – see Section 3 below.

The objective of the Defined Contribution Section of the Plan is to offer a range of investment choices for selection by members with varying risk profiles to meet members' investment needs. A default fund is also provided for members do not make a specific selection. While members can choose from the investment options made available in the Defined Contribution Section, the ultimate authority and responsibility for selecting the range of funds for members to invest in - and to review those funds periodically - lies with the Trustee. The Trustee receives independent professional advice concerning the range of funds offered and default investment options. A review is conducted periodically and takes into account the demographics of the membership.

2.2 Investment Objectives, Policy, Strategies

The Trustee's objective is to seek to provide members with a range of investment funds to invest in secure assets of appropriate liquidity which are designed to generate income and capital growth. The Trustee's policy aims to achieve these objectives by offering a range of funds with the following characteristics:

- Equity funds that are diversified geographically and represent various investment strategies;
- Sterling denominated fixed interest funds with differing characteristics and durations;
- Funds that are passively managed;
- Funds that are available for investment on the Plan's selected investment platform;
- Funds that are managed by a reputable manager and invested only in regulated public markets;
- Funds whose investment management fees are low and competitive.

The detailed investment objectives and expected returns for the asset classes selected are as follows:

Equities: The equity funds invest passively in their respective markets. They have the objective to provide returns consistent with the markets in which they invest. The funds provide a broad exposure to each of the countries in which they invest. Capital values may be highly volatile in the short term.

Bonds: The bond funds invest passively in fixed income securities consistent with the fixed income asset class selected. The investment objective is to achieve returns consistent with the selected benchmark. Capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term.

Cash: The cash fund invests in money market instruments with the objective of providing a low risk, highly liquid investment alternative. The fund's investment returns are limited given the easily realizable and lower risk nature of the assets.

Lifestyle Structures: These structures invest in an appropriate selection of the underlying funds provided by the Trustee. Their objective is to provide long term capital growth. The structures offered provide differing levels of investment risk.

The Trustee recognises the returns on equity and bond assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile.

A list of the funds that have been made available to members is provided in Appendix A.

2.3 Default Funds

For members who don't make a specific investment selection the Trustee provides a default investment option for the New Section DC Funds. This is also detailed in Appendix A, with further information regarding its aims and objectives and those of other funds classified as default funds being provided in Appendix B.

AVC members are required to make a choice for the investment of new contributions from 30 September 2014.

Aims and Objectives of the Default Funds

The DC default investment option is intended to ensure that assets are invested in the best interests of members and beneficiaries. In order to achieve this the Trustee and its investment adviser have analysed demographic information on the Plan's membership and taken this into account in determining what represents an appropriate balance between risk and return at different stages in the journey to retirement. It has been set up as a lifestyle investment strategy so that it automatically rebalances its investments to take account of these perceived risk and return criteria.

2.4 Investment Risks and Risk Management

There are a number of risks to which members' investments are exposed (including investment performance risk, which is borne by the member; accordingly, members are encouraged to seek independent investment advice). The Trustee's policy seeks to manage investment risk by:

- *Establishing an appropriate set of investment choices with differing risk characteristics across a range of investment asset classes*, as described above. The Trustee receives advice on investment strategy and (in light of the objectives noted previously) considers the appropriate range of fund choice to make available to Plan members.

- *Monitoring the Plan's investments*. The Trustee receives reports (at least quarterly) from its investment platform provider and monitors the performance of the passive investment options regularly to assess suitability for the Plan. As part of that monitoring process, the Trustee compares each investment's performance against an appropriate benchmark established by the Trustee that is transparent and commercially reported by a major index provider.

Should there be a material change in the Plan's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered, and in particular whether the current range of choice remains appropriate.

Approach to specific risks

The Trustee recognises that the uncertainty inherent in four specific investment risks (inflation, capital, opportunity cost and decumulation mis-match) can be managed to a limited extent by the choice of investments. These risks and the Trustee's objective for each risk are considered under the following headings:

<u>Inflation Risk</u>

The risk that investments do not provide a return at least in line with inflation, so that the "purchasing power" of the ultimate fund available to provide benefits is not maintained at retirement.

<u>Capital Risk</u>

The risk that the monetary value of a member's account falls.

The Trustee's objective is to provide an investment option that offers a very low risk of capital loss. A cash deposit fund is an example of such an option.

<u>Decumulation Mis-match Risk</u>

The risk that investment allocations in the years just prior to retirement do not match members' retirement objectives, exposing members to inefficient or uncertain outcomes.

The Trustee's objective is to provide a range of investment options that allow members sufficient flexibility to meet their varying objectives,

<u>Opportunity Cost Risk</u>

The risk that members end up with insufficient funds at retirement with which to secure a reasonable income – i.e., "shortfall" or "opportunity cost" risk.

The relative importance of inflation, capital, opportunity cost and decumulation mismatch risk depends on the length of time to retirement and each member's attitude to risk and expected return. Managing decumulation mis-match and/or capital risks is important near retirement, whereas the inflation risk should be far more important to younger members.

It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in a cash deposit fund will give protection against a decrease in fund values (capital risk), but will increase the risk of ending up with insufficient funds at retirement (opportunity cost risk). The Trustee offers a range of defined contribution funds with differing characteristics, as described in section 2.2 and section 2.3 and Appendix A, to mitigate these risks.

2.5 Day-to Day Management of the Default and Self-Select funds

The Trustee maintains individual member accounts with the investment platform provider.

The Trustee monitors performance of the funds against their benchmarks in order to assess continued suitability of the funds as further discussed in section 2.4 above.

2.6 Realisation of Investments

DC members' accounts (including assets invested in investment options classified as default arrangements) are held in funds which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

2.7 Corporate Governance and Environmental, Social and Governance investment policy

The Trustee seeks to take account of all relevant financially material risks and opportunities in consultation with its advisers. Such risks and opportunities are considered for materiality and impact within the Plan's Risk Register. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) factors in the context of this broader risk framework.

The Trustee's policy is that day-to-day decisions relating to the investment of Plan assets are left to the discretion of its investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. As the investment mandates are currently passively managed - i.e. they track an index - the Trustee recognises that the choice of index dictates the assets held by the investment manager and that the manager therefore has no freedom to take into account financially material factors itself in deciding which assets to hold. The Trustee accepts that the role of a passive investment manager is to deliver returns in line with the index and this approach is in line with the basis on which the current strategy has been set.

As the Trustee invests through pooled funds, the investment managers are responsible for the exercise of rights attaching to the underlying investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. The Trustee can only have limited influence on pooled fund managers' approach to engagement and the exercise of rights.

If the Trustee decides to make available any investment options by reference to funds which permit the investment manager to make active decisions about the selection, retention and realisation of investments, the Trustee will review the investment manager's approach to financially material factors when choosing and reviewing the investment manager and the relevant fund.

Stewardship

The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments and engagement with companies in which investment is made to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy. The Trustee periodically obtains updates the investment managers on the exercise of ownership rights (including voting rights) and engagement to assist in monitoring the investment managers' approach to this area.

Non-financial factors

The Trustee recognises that members and beneficiaries may have ethical views or views on matters such as the social and environmental impact of the Fund's investments. In conjunction with there being practical challenges of capturing and maintaining a consensus view on multiple issues across a varied membership population, it is the Trustee's view that financial factors should take precedence in seeking to maximise the security of member benefits. As such, it is the Trustee's policy not to take into account the non-financial factors when taking investment decisions related to the Defined Contribution Elements of the Plan, except that the Trustee may take into account member views into consideration when deciding the range of investment options that will be offered to members.

3. Relationship with Investment Managers

The Plan accesses its investments via an investment platform provider. Alignment between an investment manager's management of the Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new investment manager. As the DC Section only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee's own policies and objectives. However, the Trustee will seek to ensure that the investment objectives and guidelines of any investment fund used are consistent with its own policies and objectives.

Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible the Trustee may look to replace the fund.

The Trustee appoints its investment managers on its selected platform with an expectation of a long-term partnership. For funds that are selected to track a specific index on a passive basis, the key criteria is the investment manager's ability to track the index effectively, although the Trustee would expect index tracking managers to engage with investee companies where appropriate. For actively managed funds, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

When assessing an investment manager's performance, the focus is generally on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team, to the extent that the fund is an actively managed fund.

Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee reviews the costs incurred in managing the Plan's assets on an annual basis, which includes the costs associated with portfolio turnover, to the extent this is available. These costs are reported to members within the Annual Chair's Statement. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

4. Compliance with this Statement

The Trustee will monitor compliance with this Statement and the Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

5. Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years. Any such review will again be based on written expert investment advice and will be in consultation with the Company.

Signed:

Stewart Wright
Chairman

Irene Melitas
Director

Date: 30 September 2020

Appendix A

Current List of Defined Contribution Funds

The current list of funds is provided below. The highlighted funds have been used in construction of the three lifecycle structures.

Asset class	Self-select fund range	Benchmark
Global equities	BlackRock Consensus Fund	FTSE All Share, 30% FTSE AW Developed North America, FTSE AW Developed Europe (ex UK), FTSE AW Developed Asia Pacific (ex Japan), FTSE AW Japan, FTSE AW All Emerging, iBoxx Non Gilts ex BBB All Stocks, FTSE A Index Linked All Stocks FTSE A Index Linked > 5 years, JPM Global (ex UK) Traded, Barc Cap US TIPS> 5 years, LIBID 7 Day
	BlackRock 30:70 Currency Hedged Global Equity Fund	30% FTSE All Share, 60% of FTSE AW Developed Europe (ex UK), FTSE AW USA, FTSE AW Japan, FTSE AW Developed Asia Pacific (ex Japan), 10% MSCI Emerging Markets NDR
Overseas equities	BlackRock World (ex UK) Fund	FTSE All World Developed ex UK Index
UK equities	BlackRock UK Equity Fund	FTSE All Share Index
Other equities	BlackRock Emerging Markets Fund	MSCI Emerging Market net Index
Bonds	BlackRock All Stocks Corporate Bond Fund	Iboxx GBP Non Gilts Index
	BlackRock Over 15 Years Gilt Fund	FTSE A UK Gilts Over 15 Years Index
	BlackRock Over 5 Year Index Linked Gilt Fund	FTSE A UK Index Linked Gilts Over 5 Years Index
Specialist	Fidelity HSBC Life Islamic Fund	Dow Jones Islamic Titans 100 Gross Index
Cash	BlackRock Cash Fund	7 Day Libid from Inception

Appendix A (continued)

Lifecycle structures

	Option 1- Chevron Equity/Bond Split 50/50 Fund *	**Option 2 - Chevron Equity/Bond Split 75/25 Fund**	**Option 3 - Chevron Equity 100 Fund**
Accumulation phase	50% Global Equity (30:60:10) Index[1] 50% UK Bond Index[2]	75% Global Equity (30:60:10) Index[1] 25% UK Bond Index[2]	100% Global Equity (30:60:10) Index[1]
Consolidation phase	100% BlackRock Cash Fund	100% BlackRock Cash Fund	100% BlackRock Cash Fund
Switching period	5 years	5 years	5 years
Switching frequency	Quarterly	Quarterly	Quarterly

[1] BlackRock 30:70 Currency Hedged Global Equity Fund **(30% UK Equity Index, 60% World (ex UK) Equity Index, and 10% Emerging Market Equity Index)**
[2] **75% BlackRock All Stocks Corporate Bond Index and 25% BlackRock Over 5 Year Index Linked Gilt Index**

* Default for the New Section

Appendix B

Aims and objectives of the default investment arrangements

The Plan offers a DC default Arrangement because the Trustee recognised that some members will not want to choose an investment option and the Plan is an automatic enrolment scheme.

The DC default investment option is the Chevron Equity/Bond Split 50/50 Fund Lifestyle strategy and is described in Appendix A. Its objective is to provide good outcomes for members by targeting growth with an appropriate degree of risk during a members early years of investment, and gradually moving to investment in a lower risk cash fund as the member approaches their selected retirement date. The Default Arrangement moves towards being 100% invested in Fidelity BlackRock Cash Fund at retirement to mitigate potentially mismatching risk by investing in the way in which members commonly take their accrued funds in the Default Arrangement at retirement.

Other funds classified as default arrangements

Under legislation, funds in which members are invested without having expressed a written choice, and which have received new contributions since April 2015 are also classified as default funds. The Trustee has taken legal advice, and this definition applies to the BlackRock World (ex UK) Equity Index Fund as this fund was used to consolidate four regional equity funds in 2016 without member consent.

The BlackRock World (ex UK) Equity Index Fund invests in shares of overseas companies (Europe ex UK, Japan, Pacific Rim, US and Canadian markets) according to market capitalisation weightings and aims to produce a return in line with its benchmark, which is the FTSE All-World Developed ex UK Index.

The aims and objectives in offering the BlackRock World (ex UK) Equity Index Fund are to provide members with an equity based investment option that meets their risk and return requirements and to give members the freedom to structure their own investment portfolio from the range of different asset classes that are made available.

APPENDIX 2 – Illustrative examples of the cumulative effect of costs and charges

Costs and charges illustrations

In order to achieve greater transparency about costs, new regulations came into force on 6 April 2018 which require the Trustee to provide members with additional information in relation to investment charges and transactions costs. These must be set out as example member illustrations that have been prepared with regard to the relevant statutory guidance: “Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational pension schemes” (September 2018).

The illustrations have been prepared in accordance with the relevant statutory guidance and reflect the impact of costs and charges for a range of Plan members and investment funds.

As each member has a different amount of savings within the Plan and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

Within this Appendix we have provided illustrations based on:

- The potential period of Plan membership for the youngest member and average age of a Plan member
- The different member types within the Plan:
    - Members of the New Section with DC Element by virtue of earning over the earnings cap for Defined Benefit Section accrual
    - DB Section members (not New Section members) paying additional voluntary contributions
    - Deferred members with no new contributions going into the Plan
- A range of investment choices have been illustrated, including:
    - Fidelity BlackRock Cash Fund - the fund that most members invest in. This is also considered to carry the lowest level of potential investment returns.
    - Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy – this is the New Section’s core default investment strategy
    - Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund) – the fund with the highest level of charges and is also considered to carry the highest level of potential investment returns.
    - Fidelity BlackRock Over 15Yr UK Gilt Index Fund - This fund has the lowest charge of any of the funds offered by the Trustee
- Risk and return ratings have been determined with input from the Trustee’s investment adviser

The table below shows the age, salary, contribution and starting fund sizes used for the purpose of the illustrations:

Criteria	1. New Section		2. AVC payers		3. Deferred	
Illustrative members	**1a (youngest)**	**1b (average)**	**2a (youngest)**	**2b (average)**	**3a (youngest)**	**3b (average across Plan)**
Age	33	46	33	51	25	50
Salary	£103,000	£99,000	£54,000	£104,000	n/a	n/a
Contributions	In line with age related scheme design (based on salary over the DB Earnings Cap)	In line with age related scheme design (based on salary over the DB Earnings Cap)	£600	£4,600	n/a	n/a
Fund size	£9,600	£34,000	£2,500	£73,000	£1,700	£27,000

The illustrations below show the projected fund values based on certain assumptions before and after charges so that the potential impact of charges is clearly shown. Members should be aware that these are simply illustrations, and so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. This means that the information contained in this Appendix is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£11,100	£11,100	£11,000	£11,000	£11,300	£11,300	£11,000	£10,900
	3	£14,300	£14,200	£13,900	£13,800	£14,900	£14,700	£13,600	£13,600
	5	£17,400	£17,200	£16,700	£16,500	£18,700	£18,300	£16,300	£16,200
	10	£26,800	£26,300	£24,700	£24,400	£30,100	£29,200	£23,800	£23,600
	15	£37,700	£36,800	£33,900	£33,100	£44,500	£42,600	£32,100	£31,700
	20	£50,200	£48,700	£44,000	£42,800	£61,900	£58,600	£41,200	£40,500
	25	£64,500	£62,100	£55,000	£53,400	£82,800	£77,500	£51,000	£50,000
	30	£77,800	£74,400	£65,800	£63,500	£106,500	£98,400	£60,300	£59,000
	32	£82,100	£78,400	£70,100	£67,500	£116,800	£107,400	£63,900	£62,400
New Section 'Over the Cap' members (average member)	1	£37,000	£36,900	£36,600	£36,500	£37,600	£37,500	£36,400	£36,300
	3	£43,100	£42,800	£41,700	£41,500	£45,200	£44,600	£41,100	£40,900
	5	£49,600	£49,000	£47,200	£46,700	£53,400	£52,400	£46,000	£45,700
	10	£68,900	£67,500	£63,100	£62,000	£78,600	£76,000	£60,400	£59,700
	15	£88,400	£85,900	£78,700	£76,800	£107,100	£102,000	£74,100	£72,900
	19	£101,400	£98,100	£90,800	£88,200	£132,400	£124,700	£84,500	£82,900

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£3,100	£3,100	£3,100	£3,100	£3,200	£3,200	£3,100	£3,100
	3	£4,400	£4,300	£4,300	£4,200	£4,600	£4,500	£4,200	£4,200
	5	£5,600	£5,600	£5,400	£5,400	£6,000	£5,900	£5,300	£5,300
	10	£8,900	£8,700	£8,200	£8,100	£10,000	£9,700	£7,900	£7,900
	15	£12,200	£11,900	£11,000	£10,800	£14,400	£13,800	£10,400	£10,300
	20	£15,700	£15,200	£13,700	£13,300	£19,500	£18,400	£12,800	£12,600
	25	£19,300	£18,600	£16,300	£15,800	£25,200	£23,500	£15,100	£14,700
	30	£22,600	£21,600	£18,900	£18,200	£31,600	£29,000	£17,200	£16,800
	32	£23,600	£22,500	£19,900	£19,100	£34,300	£31,400	£18,000	£17,600
DB AVC payers (average member)	1	£78,100	£77,900	£77,200	£77,100	£79,400	£79,100	£76,800	£76,700
	3	£88,500	£87,800	£85,600	£85,100	£92,800	£91,600	£84,300	£83,900
	5	£98,900	£97,700	£93,900	£93,000	£106,800	£104,700	£91,600	£90,900
	10	£125,100	£122,300	£114,400	£112,200	£144,900	£139,700	£109,200	£107,800
	14	£142,400	£138,400	£130,400	£127,200	£178,900	£170,300	£122,600	£120,600

Projected fund values are rounded to the nearest hundred.

Example Member	Years	Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund		Fidelity HSBC Islamic Pension Fund		BlackRock Over 15 Years UK Gilt Index Fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700
	3	£1,700	£1,700	£1,700	£1,700	£1,800	£1,800	£1,600	£1,600
	5	£1,800	£1,700	£1,700	£1,600	£1,900	£1,900	£1,600	£1,600
	10	£1,800	£1,800	£1,600	£1,600	£2,200	£2,100	£1,500	£1,500
	15	£1,900	£1,800	£1,600	£1,500	£2,400	£2,300	£1,400	£1,400
	20	£1,900	£1,800	£1,500	£1,500	£2,800	£2,500	£1,400	£1,300
	25	£2,000	£1,900	£1,500	£1,400	£3,100	£2,800	£1,300	£1,200
	30	£2,100	£1,900	£1,500	£1,400	£3,500	£3,100	£1,200	£1,200
	35	£2,200	£2,000	£1,400	£1,300	£4,000	£3,400	£1,200	£1,100
	40	£2,100	£1,900	£1,400	£1,300	£4,500	£3,700	£1,100	£1,000
Deferred New Section members (average member)	1	£27,200	£27,100	£26,900	£26,800	£27,700	£27,500	£26,700	£26,700
	3	£27,600	£27,300	£26,600	£26,400	£29,000	£28,600	£26,100	£26,000
	5	£27,900	£27,600	£26,300	£26,000	£30,500	£29,800	£25,600	£25,400
	10	£28,900	£28,100	£25,700	£25,100	£34,400	£32,900	£24,200	£23,900
	15	£28,700	£27,600	£25,100	£24,200	£38,800	£36,300	£23,000	£22,400

Projected fund values are rounded to the nearest hundred.

Notes:

1. Projected pension account values are shown in today's terms.
2. Projections take account of the Plan's age-related contribution structure.
3. Charges and costs are deducted before the application of investment returns.
4. Inflation is assumed to be 2.5% each year.
5. Contributions, where applicable, are assumed from age 20 to 65 and increase in line with assumed earnings inflation of 0% per year in real terms.
6. Values shown are estimates and not guaranteed.
7. The real projected growth rates for each fund are as follows (based on Fidelity's Statutory Money Purchase Illustration (SMPI) assumptions which are used for benefit statements):
    - Fidelity BlackRock Cash Fund: -0.49%
    - Chevron Equity/Bond Split 50/50 Lifestyle Strategy: from -0.49% to 0.69% (adjusted depending on term to retirement)
    - Fidelity HSBC Islamic Pension Fund: 2.44%
    - Fidelity BlackRock Over 15Yr UK Gilt Index Fund: -1.07%
8. The Plan's normal retirement age is 65.
9. The DB Earnings Cap as at 1 April 2021 is £85,166
10. The DB Earnings Cap is assumed to increase with inflation
11. Transaction cost assumptions have been based on the latest information provided by Fidelity and cover different periods depending on the fund concerned. The Trustee endeavored to use an annualised average of transaction costs incurred in the year to 31 December 2018, 31 December 2019 and 31 December 2020 as an ongoing assumption. However, the transaction costs in the year to 31 December 2018 were not made available by Fidelity due to incomplete underlying data, and the transaction costs in the year to 31 December 2020 were not available from Fidelity at the date of this disclosure. The Trustee has used an average of actual available annual transaction costs in line with the DWP guidance. The transaction cost assumptions are:
    1. Fidelity BlackRock Cash Fund: 0.035% p.a. (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, and 1 October 2019 to 30 September 2020)
    2. Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy: 0.04% p.a. (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, and 1 October 2019 to 30 September 2020)
    3. Fidelity HSBC Islamic Pension Fund 0.005% p.a. (based on the average transaction costs for the periods from 1 June 2018 to 30 June 2019, and 1 October 2019 to 30 September 2020)
    4. Fidelity BlackRock Over 15Yr UK Gilt Index Fund: 0.005% (based on the average transaction costs for the periods from 1 January 2019 to 31 December 2019, and 1 October 2019 to 30 September 2020)

    The averaged transaction cost assumptions shown above include an overlapping period of assessment between 1 October 2019 and 1 December 2019 rather than being based on consecutive year on year historic transaction cost figures. This is because Fidelity's most recent transaction cost information available covers the year to 30 September 2020, rather than to 31 December for the other transaction cost information used and information is only available on a full year basis. However the averaging for the purpose of the illustrations will remove some of the effect including an overlapping period in the calculations, and as the projections are based on several assumptions which may not be borne out in practice, the Trustee's legal and investment advisers have confirmed that this approach is reasonable given the information available.

12. The age-related contribution structure is as follows;

Tier	Age	Contribution rate
Tier 1	Under 30	10%
Tier 2	30-39	15%
Tier 3	40-49	20%
Tier 4	50 and over	25%