Chevron UK Pension Plan

Defined Contribution Statement of Investment Principles – June 2021

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- "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 periodical 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:

Gregor Cameron	Beth Claar
Chairman	Director

Date:

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.

In 2020 investments held in Utmost's Secure Cash Fund (which were formerly invested in the Equitable Life With-Profits Fund) and a range of Utmost unit linked funds were consolidated into a number of investment options on the Fidelity investment platform resulting in a number of new default funds being created. The funds which became default arrangements in 2020 are:

- The Fidelity BlackRock UK Equity Index Fund
- The Fidelity BlackRock Equity/Bond Split 75/25 Fund
- The Fidelity BlackRock Over 15 Years Gilt Index Fund
- The Fidelity BlackRock Cash Fund

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.

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 aims and objectives of the Fund are to provide members with 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 and objectives in offering the Fund are to provide members with an option offering 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.

The Fidelity Blackrock Over 15 Years UK Gilt Index Fund is designed to closely track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index. The aims and objectives in offering this fund are to provide members with a lower risk investment option that also provides protection against inflation.

The Fidelity BlackRock Cash Fund invests in cash and money market instruments (i.e. debt securities with short term maturities) that are denominated in Sterling. The aims and objectives in offering this fund are to enable members to achieve a rate of interest on investments that is consistent with maintaining its capital value while investing in underlying assets that can easily be bought and sold in the market (in normal conditions).