

**Chevron UK Pension Plan**

**Implementation  
Statement**

**For year ended 31  
December 2021**

April 2022

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# Section 1: Introduction

This document is the annual implementation statement (the “statement”) prepared by the Trustee of the Chevron UK Pension Plan (the “Plan”) covering the “Plan Year” from 1 January 2021 to 31 December 2021 in relation to the Statement of Investment Principles (“SIP”). This statement refers to the Defined Benefit (DB) section of the Plan. A separate implementation statement covering the Defined Contribution section has also been made available.

The statement has been prepared under the requirements set out in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019).

The Plan’s SIP can be found on the Chevron UK Pension Plan website linked here: [www.chevronukpension.co.uk](http://www.chevronukpension.co.uk)

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Plan’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the year;
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the Plan year as a result of the review;
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement is made available on the following website: [www.chevronukpension.co.uk](http://www.chevronukpension.co.uk)

## Section 2: SIP reviews/changes over the year

The SIP was reviewed but not updated during the Plan Year. Therefore, there was only one relevant SIP in place over the Plan Year:

1. September 2020 – this was the version in place as at the start of the Plan Year.

The Trustee continued to keep the SIP under review with the Plan's advisers and did not make any other changes in the Plan Year ended 31 December 2021.

## Section 3: Adherence to the SIP

The DB SIP (as referenced in the Trustee's Report & Financial Statements and made available on a publicly available website) comprises the following sections:

- Section 1: Introduction
- Section 2: Defined Benefit Investment Objectives, Risk and Investment Strategy
- Section 3: Day-To-Day Management of the Assets
- Section 4: Compliance with this Statement
- Section 5: Review of this Statement

In this statement, we comment on each of these sections and how the Trustee has implemented the principles within each one.

### SIP Section 1: Introduction

1 – These paragraphs provide relevant introductory and background comments and information for the DB section, rather than setting out any policies. We also note that the Trustee has consulted suitably qualified persons and obtained written advice from Willis Towers Watson on this statement.

This section addresses the fact that this document is exclusively focused on the DB pension arrangements, but the Plan does provide both DB and DC benefits.

The overall investment policy for DB assets is also explained here as falling into two parts:

- i. The Trustee follows the investment objectives set out in Section 2 below. The Trustee receives expert advice in determining the investment objectives.
- ii. The day-to-day management of the assets is delegated to professional investment managers and is described in Section 3.

### SIP Section 2: Defined Benefit Investment Objectives, Risk and Investment Strategy

2.1 – These paragraphs set out the principle responsibilities and investment policy objectives of the Trustee for the DB section of the Plan. The Trustee is satisfied that the objectives as set out in this section of the SIP have been followed. In particular, with regard to the DB section, the Trustee is satisfied that:

- a) in monitoring the Plan assets against its performance benchmark, that it has achieved a total return within reasonable bounds of the benchmark rate set, within prudent levels of risk and liquidity;
- b) Over the Plan Year, the Investment Committee (IC) agreed a set of investment beliefs against which all strategic decisions can be assessed to ensure they align;
- c) the Plan successfully meets the cost of benefit obligations as they rise;
- d) asset growth has continued such that the Plan has achieved at or above benchmark rate of total return of the Plan assets within prudent levels of risk and liquidity;
- e) the Plan has provided adequate liquidity for benefit payments and portfolio management; and
- f) the portfolio is comprised of an appropriate, diversified asset allocation and these assets deliver an investment return above benchmark over the long term.

In order to monitor the above, the Trustee receives quarterly investment monitoring reports from its investment consultant and discusses these at quarterly IC meetings. These reports cover both DB and DC sections of the Plan and use information provided by the Plan's custodian and performance manager in addition to investment managers, including detailed information on a range of qualitative and quantitative factors, market background, short and long-term performance and risk/return metrics.

The Trustee also receives ad-hoc communications when a significant change occurs at any underlying investment managers.

**2.2** – These paragraphs set out the key risks that the Plan is exposed to and the Trustee’s policy on these risks. The Trustee is satisfied that these risks have been monitored and where possible mitigated through the following actions:

- a) The Trustee has established a policy benchmark for the Plan in order to balance risks arising from the characteristics of the Plan’s assets and liabilities. The Plan completed an Asset Liability Model (ALM) exercise over the year in conjunction with the 2019 Actuarial Valuation.
- b) Risk is monitored quarterly and the Trustee received investment advice based on this monitoring.
- c) The Trustee recognises that the use of active management introduces risk that assets may underperform policy benchmark, therefore the Trustee meets with the Plan’s active managers on an annual basis to discuss strategy and performance. Active managers are also monitored on a quarterly basis. Over the year the IC continued its review of the Plan’s fixed income portfolio and, as part of this, considered the use of active management. The IC also decided to conduct a similar review of the equity portfolio in coming quarters to understand the use of active management in this portion of the portfolio.
- d) The asset allocation is designed as such that it mitigates lack of diversification risk by engaging several different managers, each having complementary investment styles.
- e) Any proposed changes to the portfolio are considered though their impact to risk and return.

The Trustee is satisfied that, based on its monitoring, the above policies were met over the Plan Year. The Trustee is also satisfied that no changes to these policies are required at this time.

**2.3** – The Plan’s current asset allocation strategy and allowable ranges are set out in the latest SIP and rebalancing decisions are delegated to the IC. The Trustee is satisfied that the portfolio has remained within the Strategic Asset Allocation and the rebalancing ranges outlined in this section throughout the Plan Year.

### SIP Section 3: Day-To-Day Management of the Assets

**3** – These paragraphs outline the process for day-to-day management of assets and which party has ownership of these different sections.

**3.1-3.2** – The Plan’s DB assets are managed by several different managers for different asset classes. The Trustee is satisfied that the managers have suitable performance objectives and are well placed to manage these assets in line with the restrictions set out by the Trustee. The Trustee maintains control over the realisation of these investments. Over the Plan Year, the Plan made a number of disinvestments from assets to provide cashflow for benefits, and to concurrently rebalance the portfolio towards the strategic target. In 2019, the IC agreed to invest proceeds from the Schroders Property Fund into the CBRE Global Alpha Fund. When capital was returned from Schroders, it was warehoused in the LGIM REITS Fund to maintain the asset allocation. Over the Plan Year, capital was called by CBRE and therefore disinvested from LGIM.

**3.3** – This section considers the relationship and monitoring of the investment managers. The Trustee is satisfied that the monitoring process in place adheres to the measures set out in this section:

- a) Manager performance is monitored at quarterly meetings to check that investment strategy is aligned with the Plan’s objectives;
- b) The Trustee meets with each of its investment managers on an annual basis to discuss strategy, performance, outlook, objective and ESG considerations; and
- c) The Trustee has a Watch/Monitor process in place to draw out managers that are not operating or performing in line with expectations.

As a result of the monitoring process over the Plan Year, the Trustee is satisfied with the managers’ performance and alignment with the SIP objectives. As a result, the Trustee did not make any changes during the year relating to investment managers or the monitoring process.

**3.4** – The Plan’s policy on sustainable investment and consideration of ESG factors are outlined in this section. The Trustee’s policy is to delegate to the investment managers responsibility for the

exercise of rights attaching to 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. Over the Plan Year, the Trustee has:

- a) Received training on carbon metrics for the portfolio in preparation for upcoming Task Force on Climate-Related Financial Disclosures (TCFD) reporting;
- b) Agreed a set of investment beliefs which include a belief on ESG and sustainable investment; and
- c) Discussed with managers as part of the quarterly manager meetings how ESG factors are considered within the portfolio, and how they approach sustainability and stewardship more broadly.

As a result of the discussions held with the investment managers and the reporting process, the Trustee is satisfied that no further action is required. The Trustee continues to monitor its managers and engage with them on ESG matters.

Note: Further voting and engagement details can be found in Section 4.

#### **SIP Section 4: Compliance with this Statement**

**4** – The Trustee is satisfied that compliance with the SIP has been achieved over the year. Section 5 of the implementation statement confirms this.

#### **SIP Section 5: Review of this Statement**

**5** – This section explains that the SIP will be reviewed in response to any material changes and no less than every three years. The Trustee is satisfied that this policy has been adhered to. Please see Section 2 of this document for detail on the changes made to the SIP over the Plan Year.

## Section 4: Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. However, the IC meets with active investment managers on an annual basis and as part of this receives an update on how these are implemented on the Plan's behalf.

The table below sets out the voting activities of the Plan's investment managers, including any votes cast on the Trustee's behalf and details on the Plan's investment managers use of proxy voting and examples of votes cast that they deem to be significant. Some of the Plan's underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or property (where voting is not applicable as the strategy will bring with it a high level of ownership and control), have been excluded from the table below.

| Plan section | Manager and strategy                                    | Portfolio structure | Voting activity   | Most significant votes cast   | Use of proxy voting  |
|--------------|---|---------------------|---|---|--|
| DB           | Northern Trust Asset Management ACWI Global Equity Fund | Pooled equity fund  | Votes cast: 6,923<br>% of eligible votes cast: 98%<br>% of votes with management: 93%<br>% of votes against management: 6%<br>% of votes with no management recommendation/ other: N/A        | Significant defined as votes against management.  | Partner with the third-party voting provider ISS.              |
| DB           | Northern Trust Asset Management Minimum Volatility Fund | Pooled equity fund  | Votes cast: 843<br>% of eligible votes cast: 97%<br>% of votes with management: 93%<br>% of votes against management: 6%<br>% of votes with no management recommendation/ other: N/A          | Significant defined as votes against management.  | Partner with the third-party voting provider ISS.              |
| DB           | LSV Asset Management Global Value Equity                | Active equity fund  | Votes cast: 3,707<br>% of eligible votes cast: 100.0%<br>% of votes for management: 90.5%<br>% of votes against management: 8.6%<br>% of votes with no management recommendation/ other: 0.9% | Significant defined as votes from which the manager abstained from voting.<br>Over 2021, the manager abstained from 20 votes.               | Partner with the third-party voting provider Glass Lewis & Co. |
| DB           | Acadian Global All-Country Equity                       | Active equity fund  | Votes cast: 4,200<br>% of eligible votes cast: 96.8%<br>% of votes for management: 88.6%<br>% of votes against management: 11.4%<br>% of votes with no management recommendation/ other: 0.4% | Significant defined as votes in which the manager disagreed with management recommendations.<br>Over 2021, there were 62 significant votes. | Partner with the third-party voting provider ISS.              |

Source: Investment Managers

## Section 5: Summary and conclusions

The Trustee considers that all SIP policies and principles were adhered to over the Plan Year.