

Chevron UK Pension Plan

**Defined
Contribution
Section
Implementation
Statement**

**For year ended 31
December 2021**

WillisTowersWatson 

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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. This statement refers to the Defined Contribution Section of the Plan. A separate implementation statement covering the Defined Benefit Section is also 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 Defined Contribution (DC) SIP can be found on the Chevron UK Pension Plan website linked here: 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 DC 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 DC 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.

In this Statement, references are made to the appendix, detailing how voting activities were undertaken by the investment manager appointed by the Trustee.

A copy of this implementation statement is made available in the Annual Report and Accounts at: www.chevronukpension.co.uk

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Plan Year:

1. September 2020 – this was the version in place as at the start of the Plan Year.
2. June 2021 update – changes to the SIP over the Plan Year, in particular:
 - It was confirmed by the Trustee's legal advisors that several funds should in future be classified as default funds by virtue of receiving assets from Equitable Life/Utmost following the implementation of Equitable Life's Guarantee Exchange Scheme, and the subsequent asset transitions described later in this Statement. The SIP has been updated to reflect this and to align with the information contained within the Chair's DC Governance Statement. The amendments include the aims and objectives of the funds that are newly classified as default arrangements.

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 on 31 December 2021.

Section 3: Adherence to the SIP

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

The DC SIP

- Section 1: Introduction
- Section 2: Plan Elements and Objectives, Investment Objectives, Strategies, Investment Risks and Risk Management
- Section 3: Relationship with Investment Managers
- 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 DC Section, rather than setting out any policies. It also notes 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 DC Section, but the Plan does provide both DB and DC benefits, and a separate SIP has been prepared for the DB Section.

SIP Section 2: Plan Elements and Objectives, Investment Objectives, Strategies, Investment Risks and Risk Management

2.1 - These paragraphs set out the principal responsibilities and investment policy objectives of the Trustee for the DC Section of the Plan.

The Trustee seeks to provide members with a diversified range of investment options of appropriate liquidity which will generate income and capital growth which, together with contributions from the members and the Employer, will provide pension savings at retirement with which to purchase benefits or draw from.

To meet this objective, the Trustee considers different levels of risk tolerance and offers members the choice from three lifestyle strategies (one of which is the DC Section default option) and a number of self-select funds, giving members a diversified choice of options to meet most investment needs and risk/return objectives.

2.2 -2.4 – these paragraphs set out the Trustee's objective of providing a range of funds to provide liquidity and capital growth.

The Trustee is satisfied that, based on its monitoring, the objectives as set out in this section of the SIP have been met and that the selected managers have performed in line with these objectives. The Trustee believes that no changes are required to the objectives at this time. Details of investment reviews and changes carried out in line with these objectives are set out below.

Investment Strategy Review and Changes

The Trustee's policy is to carry out a formal review of the range of funds offered and the suitability of the lifestyle options in conjunction with their investment consultant at least every three years. A review was carried out in September 2020, with the next full investment review due in the year ending 31 December 2023.

In September 2020, The Trustee undertook demographic analysis of the DC Section's membership, taking into account the impact of members' DB Section accrual on their investment needs as appropriate. The Trustee also considered the impact of the Covid-19 pandemic on investment market conditions and the UK's impending economic withdrawal from the European Union ('Brexit') on the DC Section's investments. The Trustee was satisfied that the existing default investment arrangement and range of self-select investment choices remained appropriate to meet the needs of the DC Section members and made no changes to the investment choices. The Trustee, however, resolved to look again at the asset allocation of the default investment strategic once the impact of Covid-19 pandemic and Brexit on the long-term investment returns was clearer. In addition, it implemented a number of strategic investment decisions which took effect during 2021, as described below.

Ethical, Social and Governance (ESG) investment strategy

The Trustee also agreed to gather further information on member views in relation to ESG matters. As a result, the Trustee undertook a survey of the Plan's membership during 2021, asking a series of questions to obtain members' views on the merits of ESG investing, and the likelihood of use of an ESG investment option if this was added to the DC Section investment portfolio. The results were reviewed by the Trustee in December 2021, who agreed to introduce a self-select ESG option into the portfolio during mid to late 2022, after a selection process conducted by its investment adviser. It was agreed that ESG should not be incorporated into the core default investment strategy initially, but the position would be reviewed as part of the 2023 full DC investment strategy review. This review will take into account the member usage of the ESG self-select option.

Asset transition for members invested in Cash

In May 2021, the Trustee undertook an asset transition for Plan members invested in the BlackRock Cash Fund who:

- Had holdings in this fund as a result of the implementation of Equitable Life's Guarantee Exchange Scheme, which resulted in the closure of the Equitable Life With-Profits Fund, and the re-investment of the assets held in that Fund (together with an uplift added by Equitable Life) into the Utmost Secure Cash Fund on 1 January 2020.

The Utmost Secure Cash Fund was set up by Utmost to temporarily hold these assets pending a decision by trustees on the future investment of the proceeds. The Trustee had intended to move these assets into the DC Section default (the Chevron Equity/Bond 50/50 Lifestyle Strategy) in early 2020, but the increased investment market volatility in 2020 due to the Covid-19 pandemic led the Trustee (on investment advice) to invest the proceeds in the BlackRock Cash Fund instead, with a view to moving the assets to the default once market conditions were more stable. Following further investment advice, the Trustee implemented the move from the BlackRock Cash Fund to the default strategy in May 2021 for all members who were under the age of 55 on 1 May 2021.

In addition, any members who were 100% invested in the BlackRock cash fund (for whatever reason) were given the opportunity to participate in the bulk transfer to the default investment strategy.

Investment monitoring

In order to monitor the investment options, the Trustee receives quarterly investment monitoring reports from their investment consultant and discusses these at quarterly Investment Committee meetings. The Trustee also receives ad-hoc communications when a significant change occurs with Fidelity's DC investment platform provider or for the underlying investment managers.

Investment risks

This section of the DC SIP also provides an overview of the broad range of risks recognised by the Trustee which could ultimately lead to members accumulating insufficient assets to finance their desired level of consumption in retirement:

Inflation risk – The use of equity and diversified growth funds are expected to deliver above-inflation investment returns over the medium to long term. Over the shorter term (less than three years), the Trustee acknowledges that the investment return in some funds (such as the Fidelity BlackRock Cash Fund) may not cover the inflation risk, but shorter-term considerations focus on mitigation of other risks (see below).

Decumulation Mis-match risk – the Trustee has implemented lifestyle investment strategies (including the default) that seek to reduce the risks that members are exposed to in the years approaching retirement. All lifestyle strategies target cash in retirement, reflecting the way in which members typically take the DC Section account on retirement. The Trustee reviewed the likely decumulation approach of members as part of its September 2020 investment strategy review, and this will once again be given formal consideration in the 2023 investment strategy review.

Opportunity cost risk – As part of the September 2020 investment strategy review, the Trustee considered likely member outcomes. The lifestyle strategies were set after considering the correct balance between managing risk as members approach retirement whilst providing members with the opportunity for investment returns in the “growth phase”. The Trustee was satisfied that no change was required to mitigate this risk during the year.

Capital Risk – This is considered over the medium-term (three years plus) to enable short-term volatility to be smoothed. In this context, the use of equity and diversified growth funds is considered appropriate. The Trustee has received additional fund performance and market monitoring during this period of high volatility caused by the Covid-19 pandemic. The increased volatility during the pandemic led the Trustee to invest the proceeds of Equitable Life's Guarantee Exchange Scheme (GES) in the Fidelity BlackRock Cash Fund pending investment markets becoming less volatile. As explained above, the Trustee implemented the move from the BlackRock Cash Fund to the default strategy in May 2021 for all members who were under the age of 55 on 1 May 2021, including those affected by the GES.

2.5-2.6 The fund range is predominately passively managed by BlackRock. The fund manager's ability as a manager of index tracking funds was considered as part of the most recent investment strategy review. The Trustee reviews fund manager performance on a regular basis and will raise any tracking deviations if they occur.

The Trustee is satisfied that these risks have been appropriately mitigated during the Plan Year. As part of its investment review in September 2020, the Trustee considered whether range of investment options was appropriate to mitigate the risks identified in the DC SIP. The Trustee concluded that no changes are required to the identified risks in the DC SIP or the approach to their mitigation. The Trustee confirms that this position was unchanged during 2021.

2.7 The Trustee and its advisors have held discussions with Fidelity on how it exercises the voting rights on behalf of the Trustee, including Fidelity presenting to the Trustee's Investment Committee on its governance policies in June 2021. Fidelity leaves the voting rights in relation to the Plan's assets in the hands of the underlying managers used by the Trustee on its investment platform but engages with them regularly and monitors its engagement and voting policy. The Trustee periodically meets with Fidelity to discuss and oversee its approach to engagement with the underlying managers and receives regular feedback on activity. A summary of the most recent information available from BlackRock, the primary investment manager, on its voting policy is included in the Appendix.

SIP Section 3: Relationship with Investment Managers

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to the underlying investment managers for its investment portfolios on Fidelity's DC investment platform. The Trustee takes professional advice from the Plan's advisors, receives investment performance monitoring reports at each Investment Committee meeting, and where appropriate, challenges the reporting with regard to policy or performance.

The Trustee acknowledges that the Plan's investments are pooled funds delivered via Fidelity's bundled platform, therefore the level of direct influence that the Trustee can have over the fund managers is somewhat limited. As such, the Trustee takes a pragmatic approach to stewardship. This is reflected in the SIP. The Trustee's approach to stewardship of the investment arrangements was also considered during the year and as part of its investment strategy review it was concluded that no changes to the approach identified in the SIP were required.

SIP Section 4: Compliance with this Statement

This section is a matter of fact. The Plan's adviser continues to supply the Trustee with information on a quarterly basis, to enable them to review the activity of the asset managers against the following areas:

- the objectives of each fund;
- performance against each objective.

The Trustee also regularly receives full valuation of assets in the DC Section and details of member investment choices.

Within its investment strategy review in September 2020, the Trustee also considered the risk profile of each fund relative to the objectives identified in the DC SIP, and the merits of each fund relative to the performance objectives set out in the DC SIP. The Trustee was satisfied that the investment arrangements were compliant with the requirements of the DC SIP. During 2021, the Trustee's view on this remained unchanged.

SIP Section 5: Review of this Statement

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, with changes being made to the SIP following the transfer of assets into the Plan as a result of the Equitable Life Guarantee Exchange Scheme. Please see Section 2 of this document for detail on the changes made to the SIP over the Plan Year.

Section 4: Summary and conclusions

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

Appendix: Trustee engagement activity

The Trustee regularly engages with Fidelity, as the platform provider, to oversee the application of its ESG policy for the Plan's DC Section. The Trustee accesses a range of funds managed primarily by BlackRock on the Fidelity investment platform and leaves the voting rights in the hands of the third-party investment managers for the investment portfolios held. However, Fidelity engages robustly with the third-party managers including challenging and influencing their voting decisions if it feels that this is appropriate.

The table below sets out the most recent information available on BlackRock's engagement activity for the investment portfolios that are primarily used by Plan members in the DC Section. In providing this we have taken the following into account:

- As well as being stand-alone investment options, the Fidelity BlackRock World (ex-UK) Equity Index Fund and the Fidelity BlackRock UK Equity Index Fund form key parts of several other DC Section investment options made available by the Trustee. They are the core investment portfolios within the Fidelity BlackRock Equity/Bond Split 50/50 Fund (the growth phase of the DC Section's default investment strategy), the Fidelity BlackRock Equity/Bond Split 75/25 Fund and the Fidelity BlackRock Equity 100 Fund, as well as the associated lifestyle strategies for which they form the growth phase. In addition, they are also core components of the Fidelity BlackRock Consensus Fund.
- We have therefore provided more underlying detail on the voting and engagement activity for these two funds, as well as the following funds which hold more than £1 million in assets on 31 December 2021 and for which the underlying manager holds voting rights on behalf of Fidelity and the Trustee:
 - The Fidelity BlackRock 30/70 Currency Hedged Global Equity Index Fund. Note that the Fidelity BlackRock World (ex-UK) Equity Index Fund and the Fidelity BlackRock UK Equity Index Fund are also key components of this investment portfolio, but combined voting information has been provided for this portfolio by BlackRock.
 - The Fidelity BlackRock Emerging Markets Equity Fund.

The BlackRock Stewardship team also publishes statements on their analysis, engagements, and votes in relation to certain high-profile proposals at company shareholder meetings. They publish these bulletins to highlight several key voting rationales as informed by their global voting guidelines, including when they vote against directors due to insufficient progress on climate-related disclosures (particularly with regard to TCFD/SASB-aligned reporting); concerns about remuneration and/or overboarding; concerns about board oversight; and risk management in high profile situations, among others. More on BlackRock's voting and engagement policy can be found at <https://www.blackrock.com/corporate/about-us/investment-stewardship>.

Plan section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast
DC	Fidelity BlackRock UK Equity Index Fund	Pooled equity fund	<p>Votes cast: 10,815</p> <p>% of eligible votes cast: 100%</p> <p>%of votes with management: 94.33%</p> <p>% of votes against management: 5.67%</p> <p>% of votes with no management recommendation/other: 0.00%</p>	<p>Shell:</p> <p>In May 2021, BlackRock voted against a resolution requesting the Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions. Blackrock voted against this resolution as they stated they are supportive of Shell's current climate policies and prefer the annual "say on climate" advisory vote offered by management as a mechanism for shareholders to give feedback on the company's climate strategy.</p>
DC	Fidelity BlackRock (World ex-UK) Equity Index Fund	Pooled equity fund	<p>Votes cast: 23,202</p> <p>% of eligible votes cast: 99.82%</p> <p>%of votes with management: 92.16%</p> <p>% of votes against management: 7.66%</p> <p>% of votes with no management recommendation/other: 0.18%</p>	<p>General Electric Company:</p> <p>In May 2021, BlackRockvoted for a shareholder resolution that the Company report on its progress towards achieving a target of netzero greenhouse gas emissions by 2050. Blackrock supported this proposal as they believe it may accelerate the company's progress on climate risk.</p>

DC	Fidelity BlackRock 30/70 Currency Hedged Global Equity Index Fund	Pooled equity fund	<p>Votes cast: 54,986</p> <p>% of eligible votes cast: 99.93%</p> <p>%of votes with management: 91.62%</p> <p>% of votes against management: 8.33%</p> <p>% of votes with no management recommendation/other: 0.05%</p>	<p>Barclays</p> <p>In May 2021, Blackrock voted for a shareholder resolution on Climate Change Targets. While recognising the company's efforts and direction of travel, Blackrock stated that the resolution can help to accelerate its efforts on climate risk management.</p>
DC	Fidelity BlackRock Emerging Markets Fund	Pooled equity fund	<p>Votes cast: 22,106</p> <p>% of eligible votes cast: 100%</p> <p>%of votes with management: 89.74%</p> <p>% of votes against management: 10.26%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>Vedanta Limited</p> <p>In August 2021, BlackRock voted against the reappointment of the Chairman of the Board and Non-executive Independent Director as a result of governance concerns relating to board oversight.</p>