Chevron UK Pension Plan

Annual statement regarding governance of DC benefits: 2022 Governance Year

1st June 2023

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 2022 and 31 December 2022 (the "**2022 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 into 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

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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 additional voluntary contribution (AVC) assets with Utmost Life and Pensions (held as part of Equitable Life prior to the implementation of its Guarantee Exchange Scheme effective on 1 January 2020) that were mapped into these arrangements as part of an AVC consolidation exercise which took place during 2020.

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 defined contribution 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 to provide part of 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. It should be noted

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that like other bond funds, this Fund has produced significant negative performance over the year. However the fund has performed within a reasonable tolerance of its benchmark. A key aim of this fund is to provide some protection against movements in the cost of purchasing an annuity, by tracking the movement in annuity prices. Over the year annuity prices have decreased significantly and in some cases the price decrease more than exceeds the fall in gilt returns.

2.1 Review of the Default Arrangements

Last review

No review of the Default Arrangements took place during the 2022 Governance Year.

The last formal triennial DC investment review of the strategy and performance of the Default Arrangements was completed by the Trustee, in conjunction of their investment advisors Willis Towers Watson ("**WTW**"), on 22 September 2020.

Environmental, Social and Governance (ESG) investment strategy

In December 2021, following a survey of the Plan's membership, the Trustee decided that a self-select ESG option should be added into the portfolio. Accordingly, the LGIM MSCI ACWI Adaptive Capped ESG Index fund was introduced in the 2022 Plan year, after a selection process conducted by WTW on behalf of the Trustee. It was agreed that ESG should not be incorporated into the Core Default Arrangement initially, but the position would be reviewed as part of next triennial DC investment review. This review will take into account the member usage of the LGIM MSCI ACWI Adaptive Capped ESG Index fund.

Next review

The next formal review of the Default Arrangements will be undertaken in the second half of 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 September 2022) 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**"). A minor amendment was made to the Statement of Investment Principles during the 2022 Plan year to align with the Investment Belief related to ESG and subsequent selection of the LGIM MSCI ACWI Adaptive Capped ESG Index fund.

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

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

During the 2022 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**).

The Trustee has also obtained and reviewed the most up to date assurance report on internal controls (AAF report) from both Barnett Waddingham and Fidelity. These AAF reports confirm that there are internal controls in place relating to the processing of core financial transactions. The AAF reports do not raise any issues for the Trustee in this regard.

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 2022 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.

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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 2022 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 2022 Governance Year, Fidelity's overall SLA average was 100% 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.

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The Trustee is satisfied that overall the above processes ensured that core financial transactions were processed promptly and accurately during the 2022 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 2022 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 transaction cost information provided in this statement is annualised and covers the period from 1 January 2022 to 31 December 2022 where available. The transaction cost information for the funds marked † in the tables below covers the period from 1 October 2021 to 30 September 2022. The Trustee has been working with its advisers to obtain transaction cost information for these funds covering the full 2022 Governance Year for publication in this statement.

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However, at the time of preparing this statement, transaction cost information for the complete 2022 Governance Year is not available for the funds marked † in the tables below. This is because the underlying information had not been made available by the funds' managers.

Core Default Arrangement – charges

During the 2022 Governance Year the level of charges applicable to the Core Default Arrangement were as follows.

Charges of 0.200% to 0.250% 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:

- 0.250% in respect of the Core Default Arrangement (including Annual Management Charge of 0.235% for the Fidelity Chevron Equity/Bond Split 50/50 Fund); 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 January 2022 to 31 December 2022 (or 1 October 2021 to 30 September 2022) ranged from 0.00% to 0.07%. This varied over time and depended on term to retirement.

The Trustee considered these transaction costs to represent Fair value 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 2022 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

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UK Equities	Fidelity BlackRock UK Equity Index Fund	0.250	0.260
Bonds	Fidelity BlackRock Over 15 Years UK Gilt Index Fund	0.150	0.200
Cash	Fidelity BlackRock Cash Fund	0.200	0.200
Blended fund*	Fidelity Chevron Equity/Bond Split 75/25 Fund	0.253	0.260

*Blended fund charges show where a single charge applies that is constructed from a combination of other funds within the Plan's investment fund range.

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

The following transaction cost information has been provided by Fidelity and shows the annualised transaction costs for the period 1 January 2022 to 31 December 2022 (or from 1 October 2021 to 30 September 2022, where marked †):

Asset class	Fund	Transaction cost (%)
Global equities	Fidelity BlackRock World (ex-UK) Equity Index Fund	0.00
UK Equities	Fidelity BlackRock UK Equity Index Fund	0.07
Bonds	Fidelity BlackRock Over 15 Years UK Gilt Index Fund	0.00
Cash	Fidelity BlackRock Cash Fund	0.01
Blended fund*	Fidelity Chevron Equity/Bond Split 75/25 Fund	0.01†

*Blended fund charges show where a single charge applies that is constructed from a combination of other funds within the Plan's investment fund range.

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).

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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 2022 Governance Year, on a percentage basis, 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	0.210
Emerging markets	Fidelity BlackRock Emerging Markets Fund	0.350	0.400
Multi-asset	Fidelity Chevron BlackRock Consensus Fund	0.200	0.230
ESG	Fidelity Chevron LGIM MSCI ACWI Adaptive Capped ESG Index Fund	0.315	0.315
Shariah Law	Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund)	0.450	0.450
Blended funds**	Fidelity Chevron Equity/Bond Split 50/50 Fund	0.235	0.250
	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 0.260 (depending on the member's stage within the strategy)

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	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)

* To understand the annual charges on a costs and charges ("£ and pence") basis, per £1,000 invested, multiply the percentage rates shown by 10. For example, Overall Charges of 0.280%, equates to an annual charge of £2.80, per £1,000 invested.

**Blended fund charges show where a single charge applies that is constructed from a combination of other funds within the Plan's investment fund range.

Self-select funds (excluding those covered above) – transaction costs

The following transaction cost information has been provided by Fidelity and shows the annualised transaction costs for the period from 1 January 2022 to 31 December 2022 (or from 1 October 2021 to 30 September 2022 where marked †):

Asset class	Fund	Transaction costs (%)
Global equities	Fidelity BlackRock 30:70 Currency Hedged Global Equity Fund	0.00 †
Bonds	Fidelity BlackRock Over 5 Years Index Linked Gilt Fund	0.09
	Fidelity BlackRock Corporate Bond Index Fund All Stocks	0.05
Cash	Fidelity BlackRock Cash Fund	0.01
Emerging markets	Fidelity BlackRock Emerging Markets Fund	0.00
Multi-asset	Fidelity Chevron BlackRock Consensus Fund	0.04
ESG	Fidelity Chevron LGIM MSCI ACWI Adaptive Capped ESG Index Fund	0.07

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Shariah Law	Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund	0.00
Blended funds*	Fidelity Chevron Equity/Bond Split 50/50 Fund	0.03
	Fidelity Chevron Equity 100 Fund	0.01†
Lifestyle strategies	Fidelity Chevron Equity/Bond Split 75/25 Lifestyle Strategy	0.01 – 0.02
	Fidelity Chevron Equity 100 Lifestyle Strategy	0.01

*Blended fund charges show where a single charge applies that is constructed from a combination of other funds within the Plan's investment fund range.

4.2 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.

A copy of these illustrations can also be found at http://chevron.pensioncharges.com/store/

4.3 Net investment returns

The Trustee is required to report on the net investment returns for their Default Arrangements and for each fund which Plan members are, or have been, able to select and in which they have assets invested during the 2022 Governance Year. Net investment returns refers to the returns on funds minus all transaction costs and charges (see above).

When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

The figures for net investment returns used in the tables below have been provided by Fidelity and show returns over one year, five years and since fund inception.

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Asset class	Fund	1 year net investment return to 31.12.2022 (%)	5 year annualised net investment return to 31.12 2022(%)	Annualised net investment return from fund inception to 31.12.2022 (%)***
Global equities	Fidelity BlackRock 30:70 Currency Hedged Global Equity Fund	-11.3	4.8	7.6 (since 15/2/2010)
	Fidelity BlackRock World (ex-UK) Equity Index Fund	-9.9	8.5	9.7 (since 25/2/2005)
UK equities	Fidelity BlackRock UK Equity Index Fund	-0.3	2.8**	2.8 (since 17/4/2019)
Bonds	Fidelity BlackRock Over 5 Years Index Linked Gilt Fund	-38.1	-5.2	4.1 (since 13/4/2006)
	Fidelity BlackRock Corporate Bond Index Fund All Stocks	-18.0	-1.7	3.4 (since 26/1/2017)
	Fidelity BlackRock Over 15 Years UK Gilt Index Fund	-40.4	-6.8	3.0 (since 13/4/2006)
Emerging markets	Fidelity BlackRock Emerging Markets Fund	-9.9	0.5	2.8 (since 6/12/2010)
Multi-asset	Fidelity Chevron BlackRock Consensus Fund	-6.6	3.9	6.1 (since 18/10/2013)
ESG	Fidelity Chevron LGIM MSCI ACWI Adaptive Capped ESG Index Fund	N/A	N/A	-2.1 (since 18/05/2022)
Shariah Law	Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund)	-15.9	11.3	11.7 (since 7/7/2008)
Blended funds*	Fidelity Chevron Equity/Bond Split 50/50 Fund	-17.4	1.5	5.3 (since 17/10/2011)
	Fidelity Chevron Equity 100 Fund	-11.3	4.8	7.9 (since 17/10/2011)

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	Fidelity Chevron Equity/Bond Split 75/25 Fund	-14.3	3.3	6.7 (since 17/10/2011)
Cash	Fidelity BlackRock Cash Fund	1.2	0.5	1.2 (since 13/4/2006)

**Blended fund charges show where a single charge applies that is constructed from a combination of other funds within the Plan's investment fund range.*

***5 year returns are not available for the Fidelity BlackRock UK Equity Index Fund as it was launched in April 2019. Therefore this figure reflects the net investment returns from this inception date to 31 December 2022.*

****The return data provided in this column shows percentage returns over the period from each fund's inception to 31 December 2022. It does not show return data over time periods that are necessarily comparable and this should be taken into account when reading this table.*

Paragraph 27 of DWP's relevant statutory guidance says that trustees should provide details of these returns at ages 25, 45 and 55 for funds where the investment returns vary by age, such as in a lifestyle strategy. Lifestyle strategies are identified because the way assets are invested changes as members approach retirement, meaning that the investment returns can vary by age. The Plan's DC Section has three lifestyle strategies (including the Core Default Arrangement) as detailed earlier in this statement. However in each of these strategies there is no difference in the asset allocation at ages 25, 45 and 55 as members remain 100% invested in the blended fund which forms the accumulation phase of these strategies (see the Blended Fund information shown above) and therefore the investment returns for members are not different at these ages.

As can be seen net investment returns in 2022 have generally been negative. This is a result of market conditions over the year which have affected most funds and schemes. The passively managed funds offered by the Trustee have performed within a reasonable range of their benchmarks when compared to the movement in their benchmark returns which has also typically been negative.

4.4 Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, and with regard to statutory guidance, the Trustee assessed the extent to which the charges and transaction costs borne by members, as set out in section 4.1 above, represent good value for members. This section of this statement explains the assessment that was carried out in relation to the 2022 Governance Year and its results.

How value for members has been assessed

To help them with their assessment, the Trustee obtained an independent value for members (**VFM**) assessment for the 2022 Governance Year from its investment consultant.

As noted in section 3 above, administration services for the Plan are provided by both Fidelity and Barnett Waddingham. 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,

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additional overarching main Plan administration is carried out by Barnett Waddingham for which members do not bear the cost. Taking this into account, the value for members assessment comprised of three Pillars as follows:

(a) Pillar One: a review of the member borne costs and charges levied and a comparison of the costs and charges to those levied in relation to other bundled schemes in the market;

(b) Pillar Two: a review of the net investment returns of the Default Arrangements and self-select options against their benchmarks;

(c) Pillar Three: a review of governance, administration and communication factors across seven service areas:

- Scheme governance
- Risk management
- Administration
- Default strategy and investment governance
- Communication and engagement
- At retirement support options
- Broader financial support (including advice).

The Trustee's investment consultant has developed a checklist of key features that it would expect to be present in leading DC schemes and the value for members assessment reflects the presence or absence of those key features.

The framework for this value for member assessment reflects the more detailed assessment under regulation 25(1A) of the Administration Regulations that some schemes are required to carry out in relation to scheme years ending after 31 December 2021. This requirement does not apply to the Plan (because it has assets in excess of £100 million as at the date of its last audited accounts and because this statement relates to the Plan year ended on 31 December 2022). However, the Trustee decided to use this framework and took account of the relevant statutory guidance as it provides an appropriately robust framework for the Plan's value of members assessment.

Although the Trustee did assess the 'broader value' offered to members by various elements of the governance, administration and communication factors 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.

Summary of Trustee's conclusions in relation to each Pillar assessed

(a) Pillar One: Costs and charges

- Total Expense Ratio (**TER**) - the weighted TER of the growth phase of the Core Default Arrangement is 0.245% (at the start of the Plan Year, subsequently reduced to 0.235%), which when benchmarked against other bundled schemes similar to the DC section indicates that it provides good value.

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- Transaction costs - the transaction cost benchmarking undertaken showed that most of the transaction costs for the Plan's DC funds were either below average or between the average and 75th percentile for each comparable sector. As a result, this was assessed as providing fair value to members. The Trustee's advisors do not recommend any specific action, other than monitoring as part of the annual VFM assessment.

- Overall, the Trustee concluded that the Plan's aggregate costs and charges provide good value for members. This is a new value rating for 2022 and is based on a combination of the ratings for TER and transaction costs (with a greater weighting placed on TER).

(b) Pillar Two: Net investment returns

- Default investment strategy performance – the components of the Core Default Arrangement have all performed in line with or above benchmark over a 5 year period to 31 December 2021. As a result this was assessed as providing good value for members.

- Self-select fund performance - over the five year period to 31 December 2022, the performance of the self-select fund range has been broadly consistent when compared to their benchmarks. As a result this was assessed as providing good value to members

- Overall, the Trustee concluded that the Plan's aggregate costs and charges (TER plus transaction costs) provide good value for members.

(c) Pillar Three: Governance, administration and communication

- Scheme governance - the Plan exhibited 100% (9 out of 9) of the identified key features relating to Trustee Knowledge and Understanding, self- assessment and their governance approach.

- Risk management - the Plan exhibited 100% (5 out of 5) of the current key features in relation to managing risk for the scheme.

- Administration - the Plan exhibited 100% (14 out of 14) of the key features with this metric. Further information on this area is provided in section 3 of this statement.

- Investment governance - the Plan exhibited 87% (13 out of 15) of the key features within this metric. The two missing key features are as follows: (1) the Plan does not offer 'white-labelled' funds which simplifies future governance should a future fund-mapping exercise occur. However, the Trustee has previously considered this and determined that white labelling is not required for the defined contribution funds offered by the Trustee. This will however be considered again in the next defined contribution investment strategy review (2) Fidelity typically does not provide transaction cost information to the Trustee within 8 weeks of the Plan year end (although this is outside of the control of the Trustee). This was due to a delay in BlackRock providing Fidelity with the relevant information for the BlackRock funds, and in some cases it was unable to provide transaction cost information up to 31 December 2022 in time for the preparation of this statement.

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The Trustee and its investment adviser will continue to work with Fidelity to improve the timing of receipt of this information.

- Communication and engagement - the Plan exhibited 93% (13 out of 14) of the identified key features. The Plan is working with Fidelity on the technology used for engaging with members in order to address the missing key feature (digital communication, including an app and video benefit statements) identified in the value assessment.

- At retirement support and options - the Plan exhibited 43% (3 out of 7) of the required key features. However this is reflective of the fact that most members take their defined contribution rights in cash form on retirement in conjunction with their defined benefit rights which is not necessarily the case in the comparator schemes which make up the benchmark. However the Trustee will look at the need for alternative at retirement choices as part of its next investment strategy review.

- Broader financial support (including advice) - the Plan exhibited 83% (5 out of 6) of the required key features. In order to address the missing key feature the Plan will discuss the Company's wellbeing strategy with the Company to gain a better understanding of this and the Company's plans to develop this strategy in future, so that this can be reflected in the Trustee's member engagement strategy if appropriate.

Overall conclusion

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 members pay for represent 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.

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 sponsoring 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, actuarial experience, 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 2022 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 June 2022 Trustee Board training day, the Trustee Directors received training on de-

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risking, the Pensions Regulator's single code of practice, GMP equality, and diversity and inclusion in the context of pension schemes. At the September 2022 Trustee Board training day, the Trustee Directors received training on Transfers, the new pensions dashboard regime, DB funding, and a follow up session on diversity and inclusion.

- 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 March and June 2022 meetings the Investment Committee provided an update on Task Force on Climate Related Disclosures (**TCFD**) reporting, and in the September 2022 an update on de-risking of the equity portfolio.

- 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 2022 Governance Year:

- the Trustee Directors reviewed and amended the defined contribution Statements of Investment Principles which was approved by the Trustee Directors at the September Trustee Board meeting. In amending the defined contribution Statements of Investment Principles, the Trustee discussed the document at its June Trustee Board meeting, considered and applied the relevant Plan rules and applicable legislation, and consulted the Company.

- the Trustee Directors updated a number of the Trustee's policies including the MND Procedure, D&I Statement, GDPR Policy, and Cybersecurity Policy.

- attending the Trustee Board training days on 21 June 2022 and 27 September 2022, where the Trustee Directors received training from the Trustee's professional advisers and discussed the results of the survey on Trustee Knowledge and Understanding.

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 2022 Governance Year included:

- the Trustee Directors undertaking the survey on Trustee Knowledge and Understanding referred to above which is used to help assess the effectiveness of the Trustee Board and to assess whether there are any areas of training the Trustee Directors felt the Trustee Board would

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benefit from receiving. 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 2023 Trustee Board training days.

- the Trustee Directors, 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 last completed the core modules of the Trustee Toolkit are as follows:

    - William Alan Dennison – 28 September 2022
    - John Trevor Jones – 7 February 2022 (No longer Trustee Director)
    - Simon Owens – 17 February 2023
    - David Poulter – 12 April 2019
    - John Gregor Cameron – 22 November 2020 (No longer Trustee Director)
    - Andrew Clitheroe – 3 April 2020 (No longer Trustee Director)
    - Audrey Lamastro – 25 January 2021 (No longer Trustee Director)
    - Nahid Ali – 12 April 2021
    - Beth Claar – 1 March 2021
    - Ewan Chesser – 13 February 2023
    - Harriet Wu – 19 April 2022
    - Stewart Wright – 10 May 2022
    - Matthew Wright – 6 February 2023

  In addition to completing the core modules of the Trustee Toolkit, all the Trustee Directors (including the five 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.

Five new Trustee Directors were appointed in the 2022 Governance Year. 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

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Trustee Knowledge and Understanding within 6 months of their appointment. That process includes:

- undertaking one-to-one training with the Plan's Actuary, covering their duties and responsibilities and the operation of the DC benefits;
- receiving 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 are familiar with these documents from the start of their appointment;
- attending a Trustee meeting in an observational capacity prior to appointment;
- being given an overview by the outgoing Trustee Director before being appointed and receiving an overview on the role of a Trustee Director from the Pensions Manager before the first Trustee meeting; and
- being given the support required to complete the Pensions Regulator's Trustee Toolkit.

Overall, the Trustee's Directors consider that, as a result of the induction process, 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.

Approved by the Trustee and signed on behalf of the Trustee

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Simon Owens	**Date**
Chair of Chevron UK Pension Trustee Limited	

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APPENDIX 1 – Defined Contribution Statement of Investment Principles

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Chevron UK Pension Plan

Defined Contribution Statement of Investment Principles – September 2022

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.

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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.

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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.

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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.

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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.

The Trustee makes available an ESG specific self-select investment option, and will review the investment manager's approach to financially material factors when reviewing the investment manager and the relevant fund performance. This fund, the LGIM MSCI ACWI Adaptive Capped ESG Index, is a passive index tracking fund which uses an adaptive cap approach, and does not involve active decisions regarding the selection, retention and realisation of underlying investments.

Stewardship

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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 meets with its investment platform provider to obtain updates on how its investment managers exercise their ownership rights (including voting rights). It provides feedback accordingly as part of its approach to monitoring and oversight of the investment managers.

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

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

Signed:

Simon Owens
Chairman

Beth Claar
Director

Date:

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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

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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 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 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.

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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).

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Appendix 2 - Illustrative examples of the cumulative effect of costs and charges

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 the largest number of members invest in and forms part of the New Section’s core default investment strategy. This is also considered to carry the lowest level of potential investment returns and has the joint lowest Total Expense Ratio of any of the funds offered by the Trustee.
    - Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy – this is the New Section’s core default lifestyle investment strategy.
    - The Fidelity HSBC Islamic Pension Fund (previously named HSBC Amanah Global Equity Index Fund) is the fund with the highest level of charges and is also considered to carry the highest level of potential investment returns.
    - Fidelity BlackRock World (ex) UK Index Fund - This fund is classified as a default investment arrangement.
    - Fidelity BlackRock UK Equity Index Fund - This fund is classified as a default investment arrangement.
    - Fidelity BlackRock Equity/Bond Split75/25 Fund - This fund is classified as a default investment
- The risk and return ratings have been determined with input from the Trustee’s investment adviser.

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The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented against six member examples: New Section 'Over the Cap' (youngest and average members), AVC payers (youngest and average members), and Deferred (youngest and average members). Additionally, the tables include the performance of the funds over different time periods depending on the age of the member.

Values are rounded to the nearest £100.

Criteria	1 New Section		2 AVCs		3 Deferred	
Illustrative members	1a (youngest)	1b (average)	2a (youngest)	2b (average)	3a (youngest)	3b (average)
Age	29	46	36	53	25	54
Salary	£100,000	£110,000	£65,000	£115,000	n/a	n/a
Contributions	In line with age related scheme design (based on salary over the DB Earnings Cap)		£5,500 pa	£5,300 pa	n/a	n/a
Fund size	£1,000	£19,000	£3,000	£30,000	£200	£10,000

Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,200	£2,200	£2,200	£2,200	£2,300	£2,300
	3	£5,600	£5,600	£5,500	£5,500	£5,800	£5,800
	5	£9,500	£9,400	£9,100	£9,100	£9,900	£9,800
	10	£19,400	£19,200	£18,000	£17,800	£21,200	£20,800
	15	£32,100	£31,500	£28,800	£28,400	£36,300	£35,500
	20	£46,500	£45,300	£40,300	£39,500	£54,800	£53,200
	25	£63,900	£61,800	£53,700	£52,500	£78,100	£75,300
	30	£83,300	£80,100	£67,800	£65,900	£106,000	£101,500
	35	£100,700	£96,300	£81,500	£79,000	£138,000	£131,000
	36	£103,300	£98,800	£84,300	£81,600	£145,000	£137,400
New Section 'Over the Cap' members (average member)	1	£23,700	£23,600	£23,400	£23,300	£24,000	£24,000
	3	£33,200	£33,000	£32,000	£31,900	£34,500	£34,300
	5	£43,500	£43,000	£41,100	£40,800	£46,100	£45,600
	10	£74,500	£73,200	£67,800	£66,900	£82,700	£81,200
	15	£107,000	£104,400	£94,000	£92,300	£124,700	£121,400
	19	£129,300	£125,600	£114,500	£112,000	£162,700	£157,300

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Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,600	£8,500	£8,500	£8,500	£8,700	£8,600
	3	£19,900	£19,800	£19,400	£19,300	£20,500	£20,400
	5	£31,500	£31,200	£30,200	£30,000	£32,900	£32,700
	10	£61,600	£60,700	£56,800	£56,200	£67,300	£66,200
	15	£93,400	£91,400	£83,000	£81,600	£106,700	£104,200
	20	£127,100	£123,400	£108,600	£106,300	£152,000	£147,200
	25	£162,200	£156,400	£133,700	£130,200	£203,900	£195,800
	29	£184,300	£177,000	£153,500	£148,900	£250,900	£239,200
DB AVC payers (average member)	1	£35,700	£35,600	£35,200	£35,100	£36,200	£36,100
	3	£47,200	£46,900	£45,500	£45,200	£49,200	£48,800
	5	£59,000	£58,400	£55,700	£55,200	£62,800	£62,100
	10	£88,100	£86,500	£80,800	£79,700	£100,500	£98,500
	12	£98,200	£96,200	£90,800	£89,300	£117,100	£114,400

Example Member	Years	Fidelity Chevron Equity/Bond Split 50/50 Lifestyle Strategy		Fidelity BlackRock Cash Fund Class 5		Fidelity BlackRock UK Equity Fund Class 2	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200	£200	£200
	3	£200	£200	£200	£200	£200	£200
	5	£200	£200	£200	£200	£200	£200
	10	£200	£200	£200	£200	£300	£300
	15	£200	£200	£200	£200	£300	£300
	20	£300	£200	£200	£200	£300	£300
	25	£300	£200	£200	£200	£400	£400
	30	£300	£300	£200	£200	£500	£400
	35	£300	£300	£200	£200	£500	£500
	40	£300	£300	£200	£200	£600	£500
Deferred New Section members (average member)	1	£10,100	£10,100	£10,000	£9,900	£10,300	£10,300
	3	£10,300	£10,300	£9,900	£9,800	£10,900	£10,800
	5	£10,600	£10,400	£9,800	£9,700	£11,500	£11,300
	10	£10,800	£10,600	£9,600	£9,400	£13,200	£12,800
	11	£10,800	£10,500	£9,600	£9,400	£13,500	£13,100

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Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,300	£2,300	£2,200	£2,200
	3	£5,800	£5,800	£5,600	£5,600
	5	£9,900	£9,800	£9,500	£9,400
	10	£21,100	£20,800	£19,400	£19,200
	15	£36,300	£35,500	£32,100	£31,500
	20	£54,600	£53,200	£46,500	£45,300
	25	£77,900	£75,300	£63,900	£61,800
	30	£105,700	£101,500	£83,300	£80,100
	35	£137,600	£131,000	£103,800	£99,100
	36	£144,500	£137,400	£108,000	£103,000
New Section 'Over the Cap' members (average member)	1	£24,000	£24,000	£23,700	£23,600
	3	£34,500	£34,300	£33,200	£33,000
	5	£46,100	£45,600	£43,500	£43,000
	10	£82,600	£81,200	£74,500	£73,200
	15	£124,400	£121,400	£107,300	£104,700
	19	£162,300	£157,300	£135,000	£130,900

Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,700	£8,600	£8,600	£8,500
	3	£20,500	£20,400	£19,900	£19,800
	5	£32,900	£32,700	£31,500	£31,200
	10	£67,200	£66,200	£61,600	£60,700
	15	£106,500	£104,200	£93,400	£91,400
	20	£151,600	£147,200	£127,100	£123,400
	25	£203,300	£195,800	£162,700	£156,800
	29	£250,100	£239,200	£192,700	£184,600
DB AVC payers (average member)	1	£36,200	£36,100	£35,700	£35,600
	3	£49,100	£48,800	£47,200	£46,900
	5	£62,800	£62,100	£59,000	£58,400
	10	£100,400	£98,500	£89,700	£88,000
	15	£117,000	£114,400	£102,400	£100,100

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Example Member	Years	Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1		Fidelity Chevron Equity/Bond Split 50/50 Fund	
		Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200
	3	£200	£200	£200	£200
	5	£200	£200	£200	£200
	10	£300	£300	£200	£200
	15	£300	£300	£200	£200
	20	£300	£300	£300	£200
	25	£400	£400	£300	£200
	30	£500	£400	£300	£300
	35	£500	£500	£300	£300
	40	£600	£500	£300	£300
Deferred New Section members (average member)	1	£10,300	£10,300	£10,100	£10,100
	3	£10,900	£10,800	£10,300	£10,300
	5	£11,500	£11,300	£10,600	£10,400
	10	£13,100	£12,800	£11,200	£10,900
	11	£13,500	£13,100	£11,300	£11,000

Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
New Section 'Over the Cap' members (youngest member)	1	£2,300	£2,200	£2,300	£2,300
	3	£5,700	£5,700	£5,800	£5,800
	5	£9,700	£9,600	£9,900	£9,800
	10	£20,300	£20,000	£21,300	£20,800
	15	£34,200	£33,400	£36,700	£35,500
	20	£50,500	£49,000	£55,600	£53,200
	25	£70,700	£68,200	£79,700	£75,300
	30	£93,900	£90,000	£108,500	£101,500
	35	£119,600	£113,700	£141,900	£131,000
	36	£125,000	£118,600	£149,200	£137,400
New Section 'Over the Cap' members (average member)	1	£23,900	£23,800	£24,100	£24,000
	3	£33,900	£33,600	£34,600	£34,300
	5	£44,800	£44,300	£46,400	£45,600
	10	£78,500	£77,100	£83,500	£81,200
	15	£115,700	£112,700	£126,400	£121,400
	19	£148,200	£143,400	£165,600	£157,300

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Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
DB AVC payers (youngest member)	1	£8,600	£8,600	£8,700	£8,600
	3	£20,200	£20,100	£20,500	£20,400
	5	£32,200	£31,900	£33,100	£32,700
	10	£64,400	£63,400	£67,800	£66,200
	15	£99,900	£97,500	£108,100	£104,200
	20	£139,000	£134,700	£154,600	£147,200
	25	£182,200	£175,000	£208,300	£195,800
	29	£219,900	£209,800	£257,400	£239,200
DB AVC payers (average member)	1	£35,900	£35,800	£36,300	£36,100
	3	£48,200	£47,800	£49,300	£48,800
	5	£60,900	£60,200	£63,200	£62,100
	10	£95,000	£93,100	£101,600	£98,500
	15	£109,600	£107,000	£118,600	£114,400

Example Member	Years	Fidelity Chevron Equity/Bond Split 75/25 Fund		Fidelity HSBC UCITS Common Contractual Fund Islamic Global Equity Fund CI9	
		Before charges	After charges	Before charges	After charges
Deferred New Section members (youngest member)	1	£200	£200	£200	£200
	3	£200	£200	£200	£200
	5	£200	£200	£200	£200
	10	£200	£200	£300	£300
	15	£300	£300	£300	£300
	20	£300	£300	£400	£300
	25	£300	£300	£400	£400
	30	£400	£300	£500	£400
	35	£400	£400	£600	£500
	40	£400	£400	£600	£500
Deferred New Section members (average member)	1	£10,200	£10,200	£10,300	£10,300
	3	£10,600	£10,500	£10,900	£10,800
	5	£11,000	£10,900	£11,600	£11,300
	10	£12,200	£11,800	£13,400	£12,800
	11	£12,400	£12,000	£13,800	£13,100

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Assumptions and notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Annual contributions are assumed to be paid once, halfway through the year, as an approximation for contributions being paid monthly.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before the application of investment returns.
5. Inflation is assumed to be 2.5% each year.
6. Contributions, where applicable, are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 0% per year.
7. Values shown are estimates and not guaranteed.
8. The projected growth rates for each fund or arrangement are as follows:

Fund	Real projected growth rate (p.a.)
Lifestyle Strategy	-0.390% -1.130% (adjusted depending on term to retirement)
Fidelity BlackRock Cash Fund Class 5	-0.390%
Fidelity BlackRock UK Equity Fund Class 2	2.795%
Fidelity BlackRock World (ex-UK) Equity Index Fund Class 1	2.775%
Fidelity Chevron Equity/Bond Split 50/50 Fund	1.130%
Fidelity Chevron Equity/Bond Split 75/25 Fund	1.973%

9. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
10. Transaction costs and other charges have been provided by Fidelity and covered the period 1 October 2018 to 31 December 2022. Transaction costs have been averaged by WTW using a time-based approach.
11. Pension scheme's normal retirement age is 65.
12. Example members:
    - New Section 'Over the Cap' members (youngest member): age 29, starting contribution: £1,219.40, starting fund value: £1,000
    - New Section 'Over the Cap' members (average member): age 46, initial contribution: £4,438.80, starting fund value: £19,000
    - AVC payers (youngest member): age 36, starting contribution: £5,500, starting fund value: £3,000
    - AVC payers (average member): age 53, starting contribution: £5,300, starting fund value: £30,000
    - Deferred (youngest member): age 25, starting contribution: nil, starting fund value: £200
    - Deferred (average member): age 54, starting contribution: nil, starting fund value: £10,000

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13. Age-related contribution structure

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%

14. Other assumptions

- Defined Benefit Earnings cap: £87,806 (as at 01.04.23)
- The DB Earnings cap is assumed to increase with earnings inflation.

Transaction cost data

‘A zero cost has been used where there are negative transaction costs (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.