

Chevron UK Pension Plan

**Defined
Contribution
Section
Implementation
Statement**

**For year ended 31
December 2022**

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Section 1: Introduction

This document is the annual implementation statement (the “Statement”) prepared by the Trustee of the Chevron UK Pension Plan (the “Plan”) covering the “Plan Year” from 1 January 2022 to 31 December 2022. This statement refers to the Defined Contribution (DC) Section of the Plan. A separate implementation statement covering the Defined Benefit (DB) 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 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 (“the DC 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.

The DC SIP can be found on the Chevron UK Pension Plan website linked here: www.chevronukpension.co.uk.

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 Trustee’s Annual Report at: www.chevronukpension.co.uk

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Plan Year and so two versions of the SIP applied during the Plan Year:

1. June 2021 – this was the version in place as at the start of the Plan Year.
2. September 2022 update – changes made to the SIP as follows:
 - To reflect the introduction the LGIM MSCI ACWI Adaptive Capped ESG Index Fund as an Environmental, Social and Governance (ESG) DC Section investment self-select option for the Plan

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 2022.

Section 3: Adherence to the SIP

The DC SIP (as referenced in the Annual Report and made available on a publicly available website) comprises the following sections:

- Section 1: Introduction
- Section 2: Plan Elements and Objectives, Investment Objectives, Strategies, Investment Risks and Risk Management
- Section 3: Relationship with Investment Managers

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 WTW 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 (as described in the paragraph entitled 'Investment monitoring' below), 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 completed in September 2020, with the next full investment review due to take place in the second half of the year ending 31 December 2023.

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 (IC) 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 determined that no change to the current approach of targeting cash in retirement was required. The Trustee receives periodic updates from its administrator on how members take their benefits which helps it to determine whether the decumulation approach remains appropriate. This area 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 following the review. This will be reviewed later in 2023 as part of the triennial review

Capital Risk – This is considered over the medium-term (over three years) to enable short-term volatility to be smoothed. In this context, the use of equity and diversified growth funds is considered appropriate.

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 and investigate any significant 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 2022 and will review later in 2023 as part of the triennial review.

2.7 In June 2022, Fidelity presented its Stewardship Dashboard to the Trustee, which helps trustees and sponsors review the voting and engagement activity of fund holdings. This service will be implemented for the Plan later in 2023. Fidelity is a signatory to the UK Stewardship Code and reports annually on its stewardship activities, covering multiple different principles such as inclusion and diversity, human rights, health and safety. 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 Appendix contains information on voting rights for the Plan's managers in 2022.

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 IC 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.

Compliance with SIP

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 2022, the Trustee's views on this remained unchanged.

Review of this SIP

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

Section 4: 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 Environmental, Social and Governance (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. Specifically, we have provided voting information in respect of all equity-containing funds as at 31 December 2022. Given a number of these (marked * in the table below) form part of the DC Section's blended funds (and therefore the DC Section's lifestyle strategies), the below table effectively covers all relevant voting information.

Significant votes have been determined by the investment managers.

Plan section	Manager and strategy	Portfolio structure	Voting activity	Notable significant votes cast
DC	Fidelity BlackRock UK Equity Index Fund	Pooled equity fund	<p>Votes cast: 10,296</p> <p>% of eligible votes cast: 99.9%</p> <p>% of votes with management: 96.2%%</p> <p>% of votes against management: 3.8%</p> <p>% of votes with no management recommendation/other: 0.00%</p>	<p>J Sainsbury plc:</p> <p>In July 2022, BlackRock voted against a shareholder resolution to peg employee pay to the Living Wage Foundation. BlackRock did not support the proposal because 'we believe the legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity'.</p>

DC	Fidelity BlackRock (World ex-UK) Equity Index Fund	Pooled equity fund	<p>Votes cast: 23,929</p> <p>% of eligible votes cast: 95.2%</p> <p>% of votes with management: 93.1%</p> <p>% of votes against management: 6.9%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>Amazon:</p> <p>In May 2022, BlackRock voted against a shareholder proposal relating to worker health and safety. BlackRock noted that 'the company has already agreed to a racial equity audit. Therefore, BIS did not support this shareholder proposal because we believe this third-party audit will address the proponent's request'.</p>
DC	Fidelity BlackRock 30/70 Currency Hedged Global Equity Index Fund*	Pooled equity fund	<p>Votes cast: 57,899</p> <p>% of eligible votes cast: 97.2%</p> <p>% of votes with management: 91.6%</p> <p>% of votes against management: 8.3%</p> <p>% of votes with no management recommendation/other: 0.1%</p>	<p>Anthem, Inc:</p> <p>In May 2022, BlackRock voted for a shareholder proposal requesting a racial impact audit and report. BlackRock supported this shareholder proposal because, 'in our view, undertaking the requested audit could help Anthem identify and mitigate potential material risks of the company's operations on internal and external stakeholders'.</p>

DC	Fidelity BlackRock Emerging Markets Fund*	Pooled equity fund	<p>Votes cast: 24,892</p> <p>% of eligible votes cast: 98.3%</p> <p>% of votes with management: 88.1%</p> <p>% of votes against management: 11.9%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>China Tower Corporation Limited:</p> <p>In January 2022, BlackRock voted against management's proposed director re-elections due to concerns about the lack of gender diversity on the board.</p>
DC	Fidelity HSBC UCITS Islamic Global Equity Fund	Shariah fund	<p>Votes cast: 1,555</p> <p>% of eligible votes cast: 95.8%</p> <p>% of votes with management: 81.8%</p> <p>% of votes against management: 17.6%</p> <p>% of votes with no management recommendation/other: 0.6%</p>	<p>Microsoft Corporation:</p> <p>In December 2022, HSBC voted against management in respect of CEO compensation, which HSBC deemed to be beyond fair and appropriate for the size and complexity of the business.</p>

DC	LGIM MSCI ACWI Adaptive Capped ESG Index Fund	ESG fund	<p>Votes cast: 37,451</p> <p>% of eligible votes cast: 99.8%</p> <p>% of votes with management: 77.8%</p> <p>% of votes against management: 20.9%</p> <p>% of votes with no management recommendation/other: 1.3%</p>	<p>Autodesk Inc:</p> <p>In May 2022, LGIM voted against the company's proposal to appoint a director since Autodesk Inc has an all-male executive committee.</p>
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