

Chevron UK Pension Plan

Implementation Statement

**For year ended 31
December 2023**

April 2024

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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 2023 to 31 December 2023 in relation to the Statement of Investment Principles (“SIP”). This statement refers to the Defined Benefit (DB) section of the Plan. A separate implementation statement covering the Defined Contribution (DC) section has also been made available.

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

The purpose of this statement is to:

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

A copy of this implementation statement is made available on the following website: www.chevronukpension.co.uk

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Section 2: SIP reviews/changes over the year

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Plan's assets including but not limited to; investment managers, portfolio construction and risks.

The SIP that was in place at the start of the year was dated September 2022. The SIP was reviewed and updated once during the Plan year and was dated June 2023 . The changes to the SIP were:

- Updated the underlying constituents of the Total Property Benchmark
- Included wording in the SIP to clarify that the managers stewardship priorities are reviewed as part of the annual assessment

For the purpose of assessing how the Plan's SIP has been following, the remainder of this statement specifically focuses on the SIP agreed in June 2023 .

We consider that all SIP policies and principles relevant to this statement were adhered to.

Section 3: Adherence to the SIP

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

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

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

SIP Section 1: Introduction

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

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

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

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

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

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

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

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

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

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

- a) The Trustee has established a policy benchmark for the Plan in order to balance risks arising from the characteristics of the Plan’s assets and liabilities.
- b) Risk is monitored quarterly and the Trustee received investment advice based on this monitoring.
- c) The Trustee recognises that the use of active management introduces risk that assets may underperform policy benchmark therefore the Trustee meets with the Plan’s active managers on an annual basis to discuss strategy and performance. Active managers are also monitored on a quarterly basis.
- d) The asset allocation is designed as such that it mitigates lack of diversification risk by engaging several different managers, each having complementary investment styles.
- e) Any proposed changes to the portfolio are considered though their impact to risk and return

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

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

In Q1 2024, the SAA was reviewed, updated, and is reflected in an updated SIP dated March 2024.

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

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

3.1-3.2 – The Plan’s DB assets are managed by several different managers across different asset classes. The Trustee is satisfied that the managers have suitable performance objectives and are well placed to manage these assets in line with the restrictions set out by the Trustee. The Trustee maintains control over the realisation of these investments. During the year, a number of disinvestments were made to meet the cashflow needs of the Plan and to rebalance the portfolio towards the strategic target.

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

- a) Manager performance is monitored at quarterly meetings to check that investment strategy is aligned with the Plan’s objectives
- b) The Trustee meets with each of its investment managers on an annual basis to discuss strategy, performance, outlook, objective and environment, social and governance (ESG) considerations
- c) The Trustee has a Watch/Monitor process in place to draw out managers that are not operating or performing in line with expectations
- d) The Trustee’s investment adviser provides regular manager updates of any changes with the Funds or Investment managers

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

3.4 – The Plan’s policy on sustainable investment and consideration of ESG factors are outlined in this section. The Plan does not take non-financial factors into account but recognizes that ESG factors could present risks and opportunities. The Trustee’s policy is to delegate to the investment managers responsibility for the exercise of rights attaching to investments, including voting rights, and

engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. Over the Plan year, the Trustee has:

- a) Published the Plan's first Climate Change Report. In order to complete this, the Trustee engaged with the Investment Consultant to produce scenario analysis to assess the impact of climate risk on the asset and liabilities. The report also included information on the carbon metrics that the Plan are measuring against and considered how the Covenant strength is also impacted by climate risk.
- b) Discussed with managers as part of the quarterly manager meetings how ESG factors are considered within the portfolio, and how they approach sustainability and stewardship more broadly.
- c) Received further training in order to prepare for publishing the Plan's second Climate Change Report. As part of this, the Trustee agreed to retain the carbon metrics used in the Plan's first report. The Trustee also agreed to receive further ESG training in 2024 to serve as a refresh on some key themes as well as an update on evolving regulations.
- d) Received training on biodiversity and specifically on the Taskforce on Nature-related Financial Disclosures regulations. This discussion included an overview on how this regulation is expected to evolve over time and the potential requirements for the Plan. There was also a brief discussion on other initiatives including the Taskforce on Inequality and Social-related Financial Disclosures.
- e) When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations and have reviewed the investment managers stewardship policies to ensure alignment and continue to monitor them on an annual basis. The Trustee recognise that the responsibility for these activities remains with the Trustee and therefore review the Investment managers stewardship policies on an annual basis
- f) The UK Stewardship Code is widely adopted by the investment managers of the Plan, either through explicit adoption of the Code or by managing the Plan's assets within the principles of the code. The responses received by the Plan's investment managers were reviewed by the Investment Committee. All of the Plan's voting assets are managed on a passive basis by Northern Trust which is a signatory to the UK Stewardship Code and more information can be found in section 4.
- g) There has been no change to the Trustee's policy in not explicitly taking account of non-financial matters in Plan investments.

SIP Section 4: Compliance with this Statement

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

SIP Section 5: Review of this Statement

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

Section 4: Voting and engagement

As set out in the SIP, the Trustee has reviewed the stewardship policies of all the managers to ensure they are aligned with the Trustee's views and in the best interests of members. The Trustee delegates the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers but reviews the ESG credentials and policies of the investment managers on an annual basis and will document whether each manager follows a Trustee voting policy and if not, why. Each manager should provide supplementary evidence on their voting policies (where these apply).

The table below sets out the voting activities of the Plan's investment managers, including any votes cast on the Trustee's behalf and provides detail on the Plan's investment managers' use of proxy voting and examples of votes cast that they deem to be significant. The large majority of the Plan's underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or private property (where voting is not applicable), have been excluded from the table below.

Details of these investment managers' use of proxy voting services, to aid in their decision-making when voting, are summarised in the table below:

Plan section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DB	Northern Trust Asset Management ACWI Global Equity Fund	Separately Managed Account	Votes cast: 43,552 % of eligible votes cast: 98% % of votes with management: 91% % of votes against management: 8% % of votes with no management recommendation/ other: N/A	Significant defined as votes against management.	Partner with the third-party voting provider ISS.

Source: Investment Managers

As discussed, the Trustee delegates voting and engagement to its investment managers. The table below provides further detail on their voting and engagement policies.

Manager	Policy
Northern Trust Asset Management	NTAM partner with EOS at Federated Hermes (EOS) and held more than 3,800 dialogues with companies over a range of stewardship priorities, including climate change; diversity, equity and inclusion; sustainable food and agriculture; and executive compensation. With proxy voting decisions, NTAM also aim to influence the behavior and policies of investees toward more sustainable business practices. Responsible investing advocate ShareAction in its December 2021 <i>Voting Matters 2021</i> report ranked NTAM as the highest scoring U.S. investment manager for proxy voting on environmental and social issues.

The following table outlines a number of the most significant votes cast by the Plan's investment managers on the Trustee's behalf over the year for each of the funds outlined above.

Significant votes cast	Coverage in portfolio
<p>Manager: Northern Trust Asset Management</p> <p>(i) <u>Company: Expeditors International of Washington, Inc. – inclusion and diversity related</u> Meeting date: 02 May 2023</p> <p>Summary of the resolution: Report on Effectiveness of Diversity Equity and Inclusion Efforts and Metrics Management recommended shareholders vote AGAINST this item.</p> <p>How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).</p> <p>Rationale for why it was “significant”: A vote FOR this proposal is warranted. Northern Trust generally votes for proposals advocating the elimination of workplace discrimination and support for equity and inclusion initiatives.</p> <p>Outcome: The resolution was passed.</p> <p>(ii) <u>Company: Amazon.com Inc. – climate change</u> Meeting date: 24 May 2023</p> <p>Summary of the resolution: Report on Climate Lobbying Management recommended shareholders vote AGAINST this item.</p> <p>How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).</p> <p>Rationale for why it was “significant”: Northern Trust will generally vote for proposals to publish a company's political or lobbying contributions, taking into consideration recent, significant controversies, fines or litigation regarding the company's political contributions or trade association spending.</p> <p>Outcome: The resolution was not passed, despite NTAM voting for the resolution.</p> <p>(iii) <u>Company: Walmart Inc. – health and safety</u> Meeting date: 31 May 2023</p> <p>Summary of the resolution: Oversee and Report a Workplace Health and Safety Audit Management recommended shareholders vote AGAINST this item.</p> <p>How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).</p> <p>Rationale for why it was “significant”: Typically supports requests that the company report on the safety measures regarding the company's facilities, unless the request is overly prescriptive or the company has already addressed.</p> <p>Outcome: The resolution was not passed, despite NTAM voting for the resolution.</p> <p>(iv) <u>Company: Mitsui Mining & Smelting Co., Ltd.– corporate governance</u> Meeting date: 29 June 2023</p> <p>Summary of the resolution: Amend Articles to Disclose Weighted Average Cost of Capital in Corporate Governance Report Management recommended shareholders vote AGAINST this item.</p> <p>How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).</p>	<p>Held within NTAM MSCI ACWI IMI Strategy Fund</p>

Rationale for why it was “significant”: A vote FOR this shareholder proposal is warranted because: - This proposal will help management pay more attention to capital policy, with an opportunity to improve the company's market valuation.

Outcome: The resolution failed, despite NTAM voting for the resolution.

(v) Company: Meta Platforms, Inc. – health and safety

Meeting date: 31 May 2023

Summary of the resolution: Report on Child Safety and Harm Reduction

Management recommended shareholders vote AGAINST this item.

How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).

Rationale for why it was “significant”: Northern Trust votes case by case on these resolutions.

Outcome: The resolution was not passed, despite NTAM voting for the resolution.

(vi) Company: Berkshire Hathaway Inc. - inclusion and diversity related

Meeting date: 06 May 2023

Summary of the resolution: Report on Effectiveness of Diversity, Equity, and Inclusion Efforts

Management recommended shareholders vote AGAINST this item.

How the manager voted: NTAM voted AGAINST management (i.e. FOR the resolution item above).

Rationale for why it was “significant”: Northern Trust generally votes for proposals advocating the elimination of workplace discrimination and support for equity and inclusion initiatives.

Outcome: The resolution was not passed, despite NTAM voting for the resolution.

Section 5: Summary and conclusions

The Trustee believes that the Plan's engagement policy as outlined in the SIP has been adhered to over the Plan year. Following monitoring of the Plan's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that managers are acting in the Plan members' best interest and are effective stewards of the Plan's assets. Additionally, we consider that all SIP policies and principles were adhered to over the Plan year.