

Chevron UK Pension Plan

**Defined
Contribution
Section
Implementation
Statement**

**For year ended 31
December 2023**

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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. 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 not formally reviewed or updated during the Plan Year. The SIP dated September 2022 remained the current SIP as at the end of the Plan Year on 31 December 2023. The SIP has subsequently been reviewed in 2024 and changes to it will be reflected in the DC Implementation Statement for the year to 31 December 2024.

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 Willis Towers Watson (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. The Trustee undertook an investment strategy review in the last quarter of 2023 which considered members' risk tolerance taking account of the membership demographics and provided recommendations on the future default investment strategy and self-select fund range. The SIP will be updated to reflect the agreed changes in the 2024 Plan Year and the agreed changes will be described in the DC Implementation Statement for the Year ending 31 December 2024.

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 were required to the objectives during the year. 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 full investment review was completed in 2023. The Trustee reviewed the membership demographics of the Plan at the 27 September 2023 meeting, followed by consideration of the appropriateness of the design of the lifestyle options and self-select fund range at the 30 November 2023 meeting. The Trustee agreed changes to the investment strategy which will be reflected in the Statement of Investment Principles in 2024, and the DC Implementation Statement to 31 December 2024.

The Trustee has agreed to remove the bespoke lifestyle designs targeting cash at retirement, and is implementing Fidelity's FutureWise fund, which is a target date-based investment strategy. The Trustee believes the change is in the best interests of members. It reflects members' ability to take a reasonable degree of risk in the growth phase of their default investment strategy, given the continued accrual of defined benefit rights for all members.

Investment monitoring

In order to monitor the investment options, the Trustee receives quarterly investment monitoring reports from its 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 spending 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). On replacing the lifestyles with FutureWise, the Trustee believe this risk will be mitigated.

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 receives periodic updates from its administrator on how members take their benefits which helps it to determine whether the decumulation approach remains appropriate. The Trustee reviewed the likely decumulation approach of members as part of its 2023 investment strategy review and determined that it still expects a large proportion of members to use their DC savings as cash at retirement. However, it also recognised that such a significant allocation to cash at retirement reduces member's opportunity for return, and general market practice has moved away from this approach.

Opportunity cost risk – As part of the 2023 investment strategy review, the Trustee considered potential member outcomes based on a number of glidepath designs. This included both projecting pot sizes to retirement, but also considering the level and timing of the risks taken by members of the Plan.

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 assets 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, the Trustee considered the risks identified in the DC SIP and how these would be mitigated by the use of FutureWise.

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 was implemented in late 2023. Fidelity is a signatory to the UK Stewardship Code and reports annually on its stewardship activities, covering multiple different principles, including those areas of particular interest to the Trustee, 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 2023.

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 in 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.

Compliance with SIP

This section is a matter of fact. The Plan's investment consultant continues to supply the Trustee with information on a quarterly basis, to enable it 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 2023, the Trustee also considered the risk profile of each fund and lifestyle option 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 decided to retain the existing self-select fund range. The Trustee agreed the removal of the lifestyle options, to be replaced with Fidelity's FutureWise Target Date Fund option. The investment objectives set out in the DC SIP were considered when agreeing the changes.

Review of the DC SIP

This section explains that the DC 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 DC SIP over the Plan Year. The DC SIP will be updated in 2024 to reflect the changes made to the investment strategy.

Section 4: Summary and conclusions

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

Appendix: Trustee engagement activity

The Trustee periodically engages with Fidelity, as the platform provider, to oversee its investment management and administration services and the application of its Ethical, 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 2023. 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.

Manager and strategy	Voting activity	Notable significant votes cast
Fidelity BlackRock 30/70 Currency Hedged Global Equity Index Fund*	Votes cast: 56,499 % of eligible votes cast: 98% % of votes with management: 92% % of votes against management: 1% % of votes with no management recommendation/other: 0%	Shell plc: In May 2023, BlackRock voted AGAINST a shareholder resolution (voting FOR the Board recommendation) to align its existing 2030 reduction target covering the Greenhouse Gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement. BlackRock did not support this proposal because in their view, it was overly prescriptive and unduly constraining on management's decision making.

<p>Fidelity BlackRock (World ex-UK) Equity Index Fund</p>	<p>Votes cast: 24,491</p> <p>% of eligible votes cast: 98%</p> <p>% of votes with management: 93%</p> <p>% of votes against management: 6%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>Restaurant Brands International:</p> <p>In May 2023, BlackRock voted AGAINST six key resolutions including:</p> <ul style="list-style-type: none"> - the election of Alexandre Behring (voting AGAINST Board recommendation) - the advisory vote on executive pay (voting AGAINST Board recommendation) - shareholder proposal regarding annual glidepath ESG disclosure (voting FOR Board recommendation) - shareholder proposal regarding the Company's report on lobbying activities and expenditures (voting FOR Board recommendation) - shareholder proposal to report on the Company's business strategy in the face of labor market pressure (voting FOR Board recommendation) - shareholder proposal to report on the reduction of plastic use (voting FOR Board recommendation) <p>In relation to the first two of these, BlackRock has concerns about a lack of board independence as well as concerns regarding the company's approach to executive compensation in light of the structure and size of Executive Chairman Patrick Doyle's compensation package, which we consider to be misaligned with the interest of long-term shareholders.</p>
<p>Fidelity BlackRock UK Equity Index Fund</p>	<p>Votes cast: 9,945</p> <p>% of eligible votes cast: 99%</p> <p>% of votes with management: 97%</p> <p>% of votes against management: 2%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>ExxonMobil Corporation:</p> <p>In May 2023, BlackRock voted AGAINST three key resolutions including:</p> <ul style="list-style-type: none"> - shareholder proposal on the report on methane emission disclosure reliability (voting FOR Board recommendation) - shareholder proposal on adopting medium-term scope 3 GHG reduction target (voting FOR Board recommendation) - shareholder proposal to report on the social impact from plant closure or energy transition (voting FOR Board recommendation) <p>BlackRock's assessment was that the financial cost to the company to respond to the proposals outweighed any incremental informational benefit to investors. On balance, the proposals were overly prescriptive in nature, unduly constraining on management, or addressed business risks that the company's existing practices and disclosures adequately cover.</p>

<p>Fidelity BlackRock Consensus Fund</p>	<p>Votes cast: 60,372</p> <p>% of eligible votes cast: 95%</p> <p>% of votes with management: 92%</p> <p>% of votes against management: 7%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>Vale, S.A.</p> <p>In April 2023, BlackRock voted FOR (voting FOR the Board recommendation) setting the compensation of management and managers of the fiscal council for the year 2023.</p> <p>BlackRock supported the management as Vale had demonstrated progress and leadership on executive compensation disclosures in the Latin American region.</p>
<p>Fidelity BlackRock Emerging Markets Fund</p>	<p>Votes cast: 22,947</p> <p>% of eligible votes cast: 98%</p> <p>% of votes with management: 87%</p> <p>% of votes against management: 12%</p> <p>% of votes with no management recommendation/other: 0%</p>	<p>Shin Kon Financial Holding Company:</p> <p>In June 2023, BlackRock voted FOR 14 and AGAINST 18 items in relation to the election of Non-independent and Independent Directors (Voting FOR Board recommendations in five cases and AGAINST the Board recommendations in 27 cases).</p> <p>BlackRock supported nine reform camp candidates and five management-nominated directors. In BlackRock's view, financial and governance concerns warranted support for the reform camp while maintaining a degree of management-supported directors to maintain a level of institutional knowledge in the board. Long-term shareholders like BlackRock's clients tend to benefit when boards include a diversity of views and directors can act as checks and balances on one another, as necessary.</p>

<p>Fidelity HSBC UCITS Islamic Global Equity Fund</p>	<p>Votes cast: 1,655</p> <p>% of eligible votes cast: 95%</p> <p>% of votes with management: 76%</p> <p>% of votes against management: 23%</p> <p>% of votes with no management recommendation/other: 1%</p>	<p>Microsoft Corporation:</p> <p>In December 2023, HSBC voted against a Board resolution (voting AGAINST the management recommendation) in respect of CEO compensation. HSBC consider the quantum of the total pay excessive. In addition, the vesting period and performance measurement period is not sufficiently long.</p>
<p>LGIM MSCI ACWI Adaptive Capped ESG Index Fund</p>	<p>Votes cast: 36,699</p> <p>% of eligible votes cast: 99.9%</p> <p>% of votes with management: 78%</p> <p>% of votes against management: 21%</p> <p>% of votes with no management recommendation/other: 14%</p>	<p>Marvell Technology Inc:</p> <p>In June 2023, LGIM voted against the resolution to elect Director Brad Buss (AGAINST management recommendation). LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</p> <p>Schneider Electric SE</p> <p>In May 2023, LGIM voted against the resolution to approve the Company's climate transition plan (AGAINST management recommendation). LGIM expects companies to introduce credible transition plans consistent with the Paris goals. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium, and long term GHG emissions reductions targets consistent with the goal of limiting the global average temperature increase to 1.5°C.</p>