Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019

1. Introduction and Governance Structure Chairman’s Statement

I am pleased to present the Trustees’ statement of governance. This statement describes how the Trustees have governed the Money Purchase Section of the Plan and the Additional Voluntary Contribution (AVC) arrangements within the Final Salary Section during the period. The Trustees note that the Plan does not provide “conventional” money purchase benefits because a defined benefit underpin is in place. This means that members’ pension benefits at retirement from the Money Purchase section will be the better of:

- The value of their money purchase account in the Plan; or,
- Their defined benefit underpin.

Members are able to contact the Plan administrator for further information regarding the nature of their benefits.

The statement covers four principal areas:

1. Investment, with particular focus on the Plan’s default investment arrangements.
2. Internal controls, with particular focus on the processing of core financial transactions.
3. Value, with particular focus on charges and transaction costs deducted from members’ funds.
4. The knowledge and resources available to the Trustees, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Plan and how these help the Trustees to ensure that the Plan is governed effectively.

2. Default Investment Arrangement

Although the Plan is now closed, investments have historically been placed into default investment options (unless a member has made a specific choice about how their contributions are invested).

A copy of the Plan’s Statement of Investment Principles, which covers the legacy default arrangements, is attached to this governance statement. The Statement of Investment Principles has been prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, and covers our aims and objectives in relation to the default investment arrangement as well as our policies in relation to matters such as risk and diversification. It also states how we seek to provide a range of investment options with the needs of our members in mind.

In summary, the default arrangements that were in place for investment of contributions when the Plan was open were designed to be broadly appropriate for members who intend to take a proportion of their funds as cash at retirement (within current regulations regarding tax-free cash) and to purchase an annuity with the balance of their funds. The default investment options include “lifestyle” arrangements to de-risk investments to an asset allocation, at retirement, designed to be appropriate for these benefits.

The default investment option’s growth phase invests predominantly in a diversified range of investments, including global equities, bonds, alternative asset classes such as property, and cash. Overall these investments are expected to provide long term (above inflationary) growth with some protection against inflation erosion, albeit with volatility. As a member’s invested fund grows, investment risk will have a greater impact on member outcomes. Therefore, the Trustees believe that a strategy that seeks to reduce risk as the member approaches retirement is appropriate. This is achieved via automated lifestyle switches over the ten-year period prior to a member’s retirement date. Investments are switched into a
Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019 (continued)

mix of cash (for capital preservation purposes) and UK Government bonds (to provide a broadly appropriate match to short-term annuity price movements).

The Trustees review the appropriateness of the legacy default investment arrangements, at least triennially, or after significant changes to the Plan’s demographic, if sooner.

The last strategic review of the default investment strategy, along with a review of wider elements of the Money Purchase and AVC investments, was completed in 2017. This review included consideration of:

- The demographic profile of members with Money Purchase and AVC benefits.
- How this profile might influence the type of retirement benefits that typical members will seek to access when they take their savings from the Plan.
- Analysis of the range of investment funds available to members, including those used in the previous default arrangements, and whether they remain appropriate.
- Consideration of the charges associated with the current investment fund range, including the charges for the funds used in the former default investment option, and how these charges compare with alternative arrangements that might be possible.

Following discussion of the last strategic review, with input from our independent DC advisor, the Trustees decided not to make any immediate changes to the default arrangements that were in place for the investment of contributions when the Plan was open. The rationale for this conclusion is that the Plan’s Money Purchase benefits are relatively non-conventional, owing to the defined benefit underpin that is in place. Furthermore, the Trustees wished to engage further with the Company in relation to long term strategy for the Plan before making any changes.

The next strategic review of the legacy default investment arrangement is planned for 2020.

Between our triennial strategic reviews, investment performance and risk-based monitoring of the funds used in the legacy default investment arrangement is carried out on a quarterly basis, primarily by reviewing the investment report provided by the investment manager for the legacy default, Legal & General Investment Management ("L&G"). The Trustees also meet with L&G, typically annually, to discuss performance, costs and charges, and future developments.

During the year covered by this statement, the Trustees met with L&G at our Trustee board meeting on 19th September 2018.

3. Internal Controls and Core Financial Transactions

The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third party administrator, Deloitte LLP.
- Having in place Service Level Agreements (SLAs) with the Plan administrator, which are monitored by the Trustees. These SLAs cover both accuracy and timeliness of core financial transaction processing, and the Trustees meet with the administrator at Trustee board meetings in order to review administration service levels and related matters.
- The Trustees receive Plan administration reports, including SLA details, each quarter, and review these at quarterly Trustee meetings.
- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019
(continued)

- Maintaining and monitoring a risk register which includes risks in relation to core financial transactions. The risk register considers the impact, likelihood, controls and mitigation steps for each risk and is monitored and reviewed on a regular basis.
- The administrator provides an ISO 9001 internal controls report each year.
- Appointing a professional firm to undertake an annual audit.
- Undertaking data cleansing exercises in order to ensure that Plan data is up-to-date and accurate. For example, during the year covered by this statement, an exercise was carried out to collect updated spouse data from members. As a consequence of this exercise, over 1,000 members submitted updated details.
- Member data spot-checks are carried out periodically and any inconsistencies addressed through close working between the administrator and the in-house teams at Bechtel Limited.

I am pleased that in the Plan year there have been no material administration service issues which need to be reported here by the Trustees. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

4. Value, Charges and Transaction Costs

The charges applicable to the funds used in the default investment arrangements are detailed in this section. All funds used in the default investment strategy are managed by L&G. The Plan is not used for auto-enrolment purposes and as such the charge cap is not a legislative requirement.

In relation to transaction costs, note that when buying and selling investments, transaction costs can be incurred. These costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

Default Arrangement Charges and Transaction Costs as at 31 March 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Asset (was Consensus</td>
<td>0.26</td>
<td>0.01</td>
</tr>
<tr>
<td>Over 5 year Index-Linked Giltts</td>
<td>0.10</td>
<td>0.03</td>
</tr>
<tr>
<td>Over 15 year Fixed Interest</td>
<td>0.10</td>
<td>-0.01</td>
</tr>
<tr>
<td>Cash</td>
<td>0.12</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: L&G. Total expense ratio reflects the total cost associated with managing and operating a fund, including management fees, legal fees, fund management auditor fees and any other expenses within the fund.
Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019
(continued)

The levels of charges and transaction costs applicable to the Plan’s other Money Purchase investment funds as at 31 March 2019 are:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;G Global Equity (70:30) Index</td>
<td>0.18</td>
<td>-0.01</td>
</tr>
<tr>
<td>L&amp;G Diversified</td>
<td>0.32</td>
<td>-0.05</td>
</tr>
<tr>
<td>Aviva BlackRock UK Equity Index Tracker (was UK Index Tracking Fund)</td>
<td>0.50</td>
<td>0.05</td>
</tr>
<tr>
<td>Aviva With Profits</td>
<td>0.50</td>
<td>Data unavailable from Aviva</td>
</tr>
<tr>
<td>Aviva Stewardship</td>
<td>0.52</td>
<td>0.04</td>
</tr>
<tr>
<td>Equitable Life All Share Tracker (was UK FTSE All Share Index Tracking)</td>
<td>0.50</td>
<td>0.04</td>
</tr>
<tr>
<td>Equitable Life Money</td>
<td>0.50</td>
<td>0.01</td>
</tr>
<tr>
<td>Equitable Life With Profits</td>
<td>1.00</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Source: L&G, Aviva, Equitable Life. Total expense ratio reflects the total cost associated with managing and operating a fund, including management fees, legal fees, fund management auditor fees and any other expenses within the fund.

The Trustees have assessed the extent to which the charges and transaction costs set out above, alongside other elements of the Plan, represent good value for members and have concluded, in consultation with its independent DC advisor, that the Plan offers good value for members.

The Trustees’ assessment framework includes benchmarking against peers (for example, funds managed by different investment managers) and consideration of the Plan relative to alternative options available in the market with different investment managers, governance structures and providers. The Trustees’ Value for Money framework incorporates consideration of:

- Investment management charges.
- Administration charges.
- Transaction costs.
- Net of fees performance.
- Administration service standards.
- Investment design and range, including the degree of fund choice offered to members and the capabilities of the appointed fund managers, including in respect of integration of Environmental, Social and Governance considerations.
- Governance arrangements, including Trustee record keeping and documentation, meeting frequency and format, and Trustee board diversity.

The Trustees have also considered the expectations set out in The Pensions Regulator’s DC Code of Practice in relation to value for members and incorporated these considerations in their governance processes.
Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019
(continued)

Impact of Costs and Charges

To make this representative of the membership, the Trustees have based this starting at the
average member age of 52 and taking age 52 is the starting point (hence there is no difference
in pot size with and without fees at the starting age). In line with the Plan’s closed nature, no
future contributions have been assumed.

<table>
<thead>
<tr>
<th>Age</th>
<th>Default Arrangement (Lifestyle Strategy)</th>
<th>Most popular fund (L&amp;G Multi-Asset)</th>
<th>Lowest assumed return fund and also lowest cost fund (L&amp;G Over 15 year Fixed Interest Gilt)</th>
<th>Highest assumed return fund (L&amp;G Global Equity (70:30) Index)</th>
<th>Highest cost fund (Aviva Stewardship)</th>
</tr>
</thead>
<tbody>
<tr>
<td>52</td>
<td>8,783 8,783</td>
<td>8,783</td>
<td>8,783</td>
<td>8,783</td>
<td>8,783 8,783</td>
</tr>
<tr>
<td>53</td>
<td>8,785 8,851</td>
<td>8,851</td>
<td>8,851</td>
<td>8,851</td>
<td>8,995 8,980</td>
</tr>
<tr>
<td>54</td>
<td>8,967 8,919</td>
<td>8,919</td>
<td>8,919</td>
<td>8,919</td>
<td>9,212 9,180</td>
</tr>
<tr>
<td>55</td>
<td>9,060 8,987</td>
<td>9,061</td>
<td>8,988</td>
<td>8,526</td>
<td>9,433 9,385</td>
</tr>
<tr>
<td>56</td>
<td>9,136 9,039</td>
<td>9,156</td>
<td>9,057</td>
<td>8,442</td>
<td>9,661 9,595</td>
</tr>
<tr>
<td>57</td>
<td>9,194 9,076</td>
<td>9,251</td>
<td>9,127</td>
<td>8,359</td>
<td>9,894 9,810</td>
</tr>
<tr>
<td>58</td>
<td>9,234 9,085</td>
<td>9,348</td>
<td>9,198</td>
<td>8,276</td>
<td>10,132 10,029</td>
</tr>
<tr>
<td>59</td>
<td>9,256 9,098</td>
<td>9,446</td>
<td>9,269</td>
<td>8,195</td>
<td>10,376 10,253</td>
</tr>
<tr>
<td>60</td>
<td>9,259 9,084</td>
<td>9,544</td>
<td>9,340</td>
<td>8,114</td>
<td>10,626 10,482</td>
</tr>
<tr>
<td>61</td>
<td>9,243 9,053</td>
<td>9,644</td>
<td>9,412</td>
<td>8,034</td>
<td>10,882 10,717</td>
</tr>
<tr>
<td>62</td>
<td>9,208 9,006</td>
<td>9,745</td>
<td>9,485</td>
<td>7,955</td>
<td>11,144 10,956</td>
</tr>
<tr>
<td>63</td>
<td>9,155 8,943</td>
<td>9,846</td>
<td>9,558</td>
<td>7,877</td>
<td>11,413 11,201</td>
</tr>
<tr>
<td>64</td>
<td>9,084 8,863</td>
<td>9,949</td>
<td>9,632</td>
<td>7,799</td>
<td>11,688 11,451</td>
</tr>
<tr>
<td>65</td>
<td>8,995 8,768</td>
<td>10,053</td>
<td>9,706</td>
<td>7,722</td>
<td>11,969 11,707</td>
</tr>
</tbody>
</table>

Notes:

i. Projected pension pot values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation

ii. The starting pot size is assumed to be £8,783, which is the average pot size for the Plan across the main open money purchase fund range with L&G.

iii. Values are estimates and are not guaranteed.

iv. The projected growth rate for each fund is in line with the Plan’s Statutory Money Purchase Illustration assumptions as at 31 March 2019, adjusted to allow for inflation.

5. Trustee Knowledge and Understanding

The requirement under the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Plan year by the Trustees as a body in dealing with the whole Plan (not just the Money Purchase Section).

The Money Purchase and AVC arrangements are discussed at every Trustee meeting, with dedicated time on the agenda.

The Trustees have put in place arrangements for ensuring each Trustee takes responsibility for keeping up to date with relevant developments and consider their training requirements. Training logs are maintained for each Trustee and training for the full board is provided regularly during quarterly meetings, on a bespoke basis, tailored to issues that arise on the Trustees’ business plan.
Bechtel Limited Pension Plan
Chairman’s Statement for the year ended 31 March 2019
(continued)

As part of the Trustee induction process, the Trustees receive training on key Plan documents, including the Trust Deed and Rules, the Statement of Investment Principles, and other policy documents, as well as on the law relating to pensions and trusts. Part of this training is usually provided by the Plan’s legal advisors, who ensure that it is up to date. The Trustees maintain their working knowledge of these documents, and receive updated training from professional advisors when these documents are reviewed and amended.

In addition, the Trustees receive advice from professional advisors and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

The Trustees consider topical updates from its DC advisor at each Trustee meeting. During the period covered by this Statement, topics considered included the new regulations in respect of the preparation of the Plan’s Statement of Investment Principles, the outcome of the Competition and Markets Authority’s review of investment consultants, and detailed training on Environmental, Social and Governance issues.

Trustees receive Trustee training within a reasonable time of becoming a Trustee and are encouraged to complete the Pension Regulator’s Trustee Toolkit.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their function as a Trustee board.

6. Statement of DC Governance

The Trustees undertake annual assessments of the Plan against the DC Code of Practice and related guidance, and have implemented an action plan for ongoing monitoring in this respect. These assessments include the Plan’s AVC arrangements.

The Trustees consider that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator’s DC Code of Practice.

Signed for and on behalf of the Bechtel Limited Pension Plan:

[Signature]

Chair of the Trustees of the Bechtel Limited Pension Plan

Date 2nd October 2019.