

# The Bechtel Limited Pension Plan

## Statement of Investment Principles – December 2024 Final Salary Section (Section I)

### 1. Introduction

The Trustees of The Bechtel Limited Pension Plan (the “Plan”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern the Trustees’ decisions about the Plan’s Final Salary Section investments. The Trustees’ investment responsibilities are governed by the Plan’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from the Trustees’ investment consultant, Mercer Limited (“Mercer”). In addition, consultation has been undertaken with Bechtel Limited (the “Sponsor”) on its contents.

The Trustees have prepared a separate Statement for the Plan’s Money Purchase Section (Section II).

### 2. Process For Choosing Investments

In considering appropriate investments for the Plan, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

### 3. Investment Objectives

The Trustees’ primary objective is to act in the best interests of the Plan’s members. To achieve this, the Trustees’ investment objective is to follow a low-risk strategy that protects the Plan’s surplus funding position under a conservative funding basis.

### 4. Risk Measurement and Management

There are various investment risks to which the Plan is exposed:

- Asset and Liability Mismatch Risk

The primary risk upon which the Trustees focus is the funding risk from any mismatch between the Plan’s assets and liabilities. To control this risk, the Trustees invest the majority of the Plan’s assets in an insurance policy. Under this policy the insurer commits to fund the Plan’s pension liabilities as they fall due, the precise liabilities to be funded agreed between the insurers and the Trustees and set out in the policy documentation.

The balance of the Plan's assets is invested in a diversified portfolio of liquid, short-term money market instruments. These assets are used to meet expenses incurred in the running of the Plan as well as any pension liabilities not covered by the insurance policy. For longer-dated liabilities not met by the policy, the Trustees will consider funding these by investing in matching gilt assets.

- **Diversification Risk**

Lack of diversification within the portfolio of money market instruments held by the Plan exposes the Plan to concentrated credit risk. To control this risk, the portfolio invests in the money market instruments of a wide range of issuers, with investment restricted to those issuers with investment grade credit ratings only.

- **Investment Manager Risk**

Day-to-day management of the Plan's portfolio of money market instruments is delegated to a specialist investment manager via investment in a pooled fund arrangement. Responsibility for the oversight of the investment manager is delegated to Mercer.

- **Illiquidity Risk**

To manage illiquidity risk, the pooled fund deals on a daily basis.

- **Custody Risk**

Under the pooled fund arrangements an independent custodian is appointed to hold the fund's assets.

## **5. Investment Strategy and Implementation**

Purchase of the insurance policy is scheduled to take place on 6 December 2024 and this Statement has been drafted in the expectation that the purchase will be completed. The remainder of this Section provides detail on the arrangements that will then be in place and how they will be implemented in practice.

The insurance policy is to be held with Pension Insurance Corporation (PIC) and will account for the majority of the Plan's assets.

The money market pooled fund will be managed by Mercer (the Mercer Fund). The underlying assets of the Mercer Fund are managed by a specialist third party investment manager. Responsibility for the appointment, ongoing monitoring and termination of the investment manager is delegated to Mercer. Mercer will provide the Trustees with regular reports regarding the performance of the Mercer Fund and its research views on the appointed investment manager. At the date of this Statement, UBS and State Street Bank and Trust Company were the Mercer Fund's investment manager and custodian respectively.

The Plan's assets are currently invested in two portfolios, the Main portfolio and the Reserve Fund, the assets of the Reserve Fund to be used if the assets of the Main portfolio are insufficient to fund the Plan's liabilities. Both portfolios are invested in pooled fund vehicles managed by Mercer under low-risk liability matching strategies.

Purchase of the insurance policy is to be funded from the Main portfolio and funds received from the sale of assets of Section II (in respect of members' defined benefit underpin benefits). The balance of the payment is to be funded by the Reserve Fund.

In preparation for the purchase of the insurance policy, the investment strategies for the Main portfolio and the Reserve Fund have been updated such that, combined, and as far as practically possible, they match any changes in the insurance policy premium up to the point of purchase as a result of changes in gilt yields. This gilt-based "pricelock" portfolio is constructed using 100% of the assets of the Main portfolio and an appropriate portion of the Reserve Fund. The balance of the Reserve Fund is invested in the Mercer Fund.

At the point of purchase of the insurance policy, the assets of the Main portfolio and, in advance of funds being received from the sale of Section II assets, the pricelock element of the Reserve Fund will be sold and the proceeds used to fully pay the policy premium. Shortly after the purchase of the insurance policy, the funds received from the sale of Section II assets will be invested in the Reserve Fund (in the Mercer Fund). Following completion of the purchase no assets will remain in the Main portfolio.

#### **6. Realisation of Investments**

Mercer and the underlying investment manager of the Mercer Fund have discretion in the timing of realisation of investments and in considerations relating to the liquidity of the Fund.

#### **7. Cash flow and cash flow management**

The Plan's cashflow requirements are met by payments due under the insurance contract held with PIC and disinvestments from the Mercer Fund, as well as any cash held in the Trustees' bank account.

#### **8. ESG, Stewardship and Climate Change – Trustees' Investment Beliefs**

In general, the Trustees believe that good stewardship and the incorporation of environmental, social, and corporate governance (ESG) factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Plan's assets over the medium and longer term. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustees' explicit consideration. The Trustees also recognise that, under the investment strategy in place, there is limited scope for the Trustees to implement their beliefs.

The Trustees have considered, and will continue to consider, including specific sustainability themed investment opportunities within their investment arrangements.

#### **Investment Restrictions**

The Trustees have not set any restrictions on Mercer, or the investment manager Mercer appoints, in relation to investment in issuers whose businesses are connected to particular products or activities but may consider this in the future where it is practicable to do so.

## **Member views**

Plan member views are not taken into account in the selection, retention and realisation of investments.

## **How the Trustees incentivise their investment managers to align their investment strategy and decisions with the Trustees' beliefs.**

The Trustees accept that they do not have the ability to determine the policies or arrangements that Mercer put in place for the Mercer Fund. However, the Trustees have made Mercer aware that they expect Mercer, and the investment manager they appoint, to manage the Mercer Fund's assets in a manner, as far as is practicably possible given the nature of the assets that the Mercer Fund invests in, that is consistent with the Trustees' beliefs.

Should the Trustees consider that Mercer, or the investment manager, has failed to align their own policies with those of the Trustees' beliefs, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Fund and/or seek to renegotiate commercial terms with Mercer.

## **How the Trustees incentivise their investment managers to, 1) make portfolio selection decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt/equity and, 2) engage with issuers to improve performance in the medium to long term.**

In appointing the investment manager of the Mercer Fund, the Trustees expect that Mercer will select a manager where it believes the manager will, where appropriate and to the extent it is possible given the nature of the assets held, engage directly with issuers of securities it holds in order to improve their financial and non-financial performances over the medium to long term.

Should the Trustees consider that Mercer has failed to take appropriate steps to appoint an investment manager that is consistent with the Trustees' beliefs, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

## **How the Trustees' approach to evaluating their investment managers' performances, and how they remunerate their investment managers, is aligned with the Trustees' beliefs.**

When reviewing performance of the Mercer Fund, the Trustees take account of Mercer's assessment of the degree to which the investment manager is allowing for stewardship and sustainability considerations when selecting investments for the Fund. To the extent it is possible given the nature of the assets held by the Fund, the Trustees expect to see an improving trend in Mercer's assessments. The investment manager is remunerated based on a percentage of the assets under management. Should the Trustees conclude that they see no evidence of an improving trend, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Fund and/or seek to renegotiate commercial terms with Mercer.

## **How the Trustees monitor portfolio turnover costs and how they define and monitor portfolio turnover/turnover range targets.**

The Trustees do not have an explicit target portfolio turnover range for the assets held in the Mercer Fund. However, overall performance is considered by the Trustees net of all transaction costs.

**The duration of the Trustees' arrangements with their investment managers.**

There are no duration limits to the Trustees' arrangements with Mercer and Mercer does not put in place duration limits for the investment manager it appoints to manage the assets of the Mercer Fund. The Trustees will continue to retain Mercer as long as it believes it is in the best interests of the Plan and expects Mercer to adopt the same approach when selecting the Mercer Fund's investment manager.

**9. Additional Assets**

The Trustees have appointed Prudential Assurance Co. Ltd., Aviva (formerly Friends Life) and Legal & General to manage the Plan's Final Salary Section Additional Voluntary Contribution arrangements with the objective of providing members with competitive investment returns for a wide range of investment options. These arrangements are reviewed on an ongoing basis by the Trustees.

**10. Fee Structures**

Mercer levies a fixed fee based on the value of the assets invested in the Mercer Fund. This fee covers all investment advisory services associated with the ongoing management of the Plan and the selection and monitoring of the underlying manager appointed to manage the Fund's assets. The underlying manager of the Mercer Fund also charges a fixed fee based on the value of the assets under management.

**11. Review of this Statement**

The Trustees will review this Statement at least once every year and without delay after any significant change in their investment objectives and investment strategy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension plan investments.

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**For & on behalf of the Trustees of The Bechtel Limited Pension Plan**