

The Bechtel Limited Pension Plan

Statement of Investment Principles – May 2025 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 and gilts. These assets are used to meet expenses incurred in the running of the Plan as well as fund any pension liabilities not covered by the insurance policy.

- **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 and gilts is delegated to specialist investment managers via investment in pooled fund arrangements. Responsibility for the oversight of the investment managers is delegated to Mercer.

- **Illiquidity Risk**

To manage illiquidity risk, the pooled funds deal daily.

- **Custody Risk**

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

5. Investment Strategy and Implementation

The insurance policy is held with Pension Insurance Corporation (PIC).

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

The Mercer Fund assets are held within the Plan's Reserve portfolio.

6. Realisation of Investments

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

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 Funds, 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 managers 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 Funds. However, the Trustees have made Mercer aware that they expect Mercer, and the investment managers they appoint, to manage the Mercer Funds' assets in a manner, as far as is practicably possible given the nature of the assets that the Mercer Funds invests in, that is consistent with the Trustees' beliefs.

Should the Trustees consider that Mercer, or the investment managers, have 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 Funds 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 managers of the Mercer Funds, 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 Funds, and where appropriate for the asset class, the Trustees take account of Mercer's assessment of the degree to which the investment managers are allowing for stewardship and sustainability considerations when selecting investments for the Funds. To the extent it is possible given the nature of the assets held by the Funds, the Trustees expect to see an improving trend in Mercer's assessments. The investment managers are 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 Funds 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 Funds. 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 managers it appoints to manage the assets of the Mercer Funds. 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 Funds' investment managers.

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 Funds. This fee covers all investment advisory services associated with the ongoing management of the Plan's assets and the selection and monitoring of the underlying manager appointed to manage the Funds' assets. The underlying managers of the Mercer Funds also charge 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