Annual Engagement Policy Implementation Statement

Lyondell Chemical Europe, Inc. Pension Plan

Introduction:

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 30 June 2021 (the "Plan Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and subsequent amendments, and the guidance published by the Pensions Regulator.

Changes to the investment arrangements during the Plan Year:

In November 2020, State Street Global Advisors ("SSGA"), the Plan's investment manager during the Plan Year, introduced an element of ESG screening to the equity and corporate bond funds that the Plan invested in. These screens seek to exclude securities that breach the FTSE (in the case of equity funds) or SSGA (in the case of the corporate bond fund) definitions of UN Global Compact Violations and Controversial Weapons.

At the 25 March 2021 Trustee meeting, the Trustees received a presentation from LyondellBasell regarding the appointment of a single investment manager for its three UK defined benefit pension schemes. LyondellBasell had identified Legal and General ("LGIM") as its preferred provider due to its market leading presence in the UK, strong performance record, commitment to ESG and effective stewardship, and its ability to seamlessly support the Trustees if the Plan needed to purchase annuities or similar insurance products.

The Trustees agreed they were supportive of the proposal in principle, subject to a review of the Plan's investment strategy and formal advice on the suitability of the proposal for the Plan from their advisers. The Trustees review the Plan's investment strategy on 7 May 2021, and agreed both the proposed strategy and the appointment of LGIM to manage the Plan's assets. Implementation was completed in August 2021.

The SIP was updated in August 2021 to reflect the revised investment strategy and the appointment of LGIM. This statement is based on the relevant versions of the SIP that were in place during the Plan Year however, which were the SIP dated 27 September 2019 and the SIP dated September 2020.

Investment Objectives of the Plan:

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIPs in place during the Plan Year are as follows:

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities. The asset allocation they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

Policy on ESG, Stewardship and Climate Change

The Trustees keep their policies under regular review with the SIP subject to review at least triennially. The Plan's SIP includes the Trustees policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was reviewed during the Plan Year on 10 September 2020.

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

The Plan's investment performance reports were received by the Trustees on a quarterly basis during the year under review and considered in more detail at the Trustees meetings on 10 September 2020 and 25 March 2021 – these included ratings (both general and ESG specific) from the investment consultant. All of the pooled funds remained highly rated during the year where relevant (the Trustees acknowledge that the fixed income pooled funds do not have high ESG ratings assigned by the investment consultant due to the nature of the asset class) and there were no significant developments at the manager. The Trustees were comfortable with the ratings applied and continued to closely monitor these ratings and any significant developments at the investment manager during the Plan Year.

When implementing a new fund or manager, the Trustees consider the ESG rating of the fund/manager. For example, ESG and stewardship capabilities were considered as part of the manager selection exercise undertaken during the Plan Year. The Trustees noted LGIM's commitment to ESG and effective stewardship.

The Trustees also challenge the investment manager directly on ESG policies and practices. The Trustees reviewed SSGA's latest stewardship report at their meeting on 10 September 2020 and were comfortable with the approach and actions taken. The Trustees also noted the ESG screening being applied to the SSGA equity and corporate bond funds, and were comfortable with the changes.

SSGA confirmed that it is a signatory to the UK Stewardship Code and had submitted the required reporting to the Financial Reporting Council in order to be on the first list of signatories for the UK Stewardship Code 2020.

The Trustees' investment consultant had requested, on behalf of the Trustees, details of relevant engagement activity for the period from SSGA. SSGA engaged with companies on a wide range of different issues including ESG matters such as climate change. This included engaging with companies to ensure they were making progress in this area, and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). As a consequence of the COVID-19 pandemic, SSGA also focused its engagement efforts with companies on social issues, such as human capital, employee health, safety, equality, diversity and inclusion. SSgA provided the following examples:

Fearless Girl Campaign

On the eve of International Women's Day 2017, State Street Global Advisors placed a statue of a Fearless Girl in the heart of New York's Financial District, to raise awareness about the importance of gender diversity in corporate leadership and to call attention to our minimum expectation for companies to have at least one woman on their boards. The campaign's momentum continued in the US in 2020, building on its positive impact from the previous years. Since the launch of the campaign, 612 of the Russell 3000 companies initially identified have added at least one female director to their boards.

As of Q4 2020, 6% of Russell 3000 companies had all male boards, down from 24% at the start of our campaign. In the UK, State Street continued to monitor the few remaining companies in the FTSE 350 that were lacking in board gender diversity. Of the 18 companies identified, 83% (15 companies) have added a female director to the board since Fearless Girl's original placement. State Street view these as proof points of gender diversity's status of a mainstream boardroom issue and the ongoing impact of their campaign.

Climate Risk – Lobbying Proposals

State Street found that shareholder proposals related to political activities are evolving and bringing together both the issue of lobbying as well as climate change. These climate-related lobbying proposals are asking for corporate membership in trade associations to be fully aligned with a company's stated position on climate change. Where there are inconsistencies with a company's position on climate and those of the company's trade associations, the proposal asks companies to suspend their membership of such organisations.

State Street supported the climate-related lobbying proposals submitted at Delta Air Lines, Inc. and United Airlines Holdings, Inc. as they believe that additional reporting on lobbying-related practices and policies would help them to better understand the relevant risks. In contrast, Chevron Corporation provides superior disclosure on its trade group, not only compared to its oil and gas peers, but also relative to the broader US market. However, the company lacks a gap analysis on its stated position on climate and that of its trade association. Therefore, State Street abstained on the climate-related lobbying proposal submitted at the company's 2020 AGM.

Voting Activity

The Trustees have delegated their voting rights to the Plan's investment manager. Where applicable, the investment manager is expected to provide voting summary reporting on a regular basis, at least annually. The Trustees do no use the direct services of a proxy voter. Over the prior 12 months, the Trustees have not actively challenged their investment manager on its voting activity.

The Trustees had equity exposure through the following funds during the Plan Year;

- UK ESG Screened Index Equity Sub-Fund
- North American ESG Screened Index Equity Sub-Fund

- Europe (ex-UK) ESG Screened Index Equity Sub-Fund
- Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

The table below highlights key metrics as to how the Plan's manager has exercised the voting rights and/or engagement activity on behalf of the Trustees during the Plan Year, based on information provided by them. SSgA have confirmed that they class all votes as significant votes.

Fund	Votable meetings	Total votable proposals	No. of proposals voted on behalf of investors	Participation rate	% votes against management
UK ESG Screened Index Equity Sub-Fund	741	10,325	10,325	100.0%	7.7%
North America ESG Screened Index Equity Sub-Fund	649	7,930	7,894	99.6%	9.5%
Europe (ex-UK) ESG Screened Index Equity Sub-Fund	547	9,436	9,390	99.5%	10.2%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	437	3,083	3,083	100.0%	16.1%

Investment Manager Performance and Fees

The investment performance reports were received by the Trustees on a quarterly basis during the year under review, and considered in more detail at the Trustees meetings on 10 September 2020 and 25 March 2021. Over the 3 year period to 30 June 2021, the Plan returned 6.3% p.a. relative to a benchmark return of 6.2% p.a. (gross of fees).

The Trustees reviewed the performance against suitable benchmarks over both the short and long-term, and did not draw any concerns around the performance of the investment manager.

The Trustees periodically review investment manager fee levels to ensure the Plan achieves value for money. Over the Plan Year, there were no changes to the remuneration arrangements with SSGA. However, investment management fees were a key criteria within the investment manager selection exercise undertaken during the Plan Year, resulting in lower fees under the new arrangements for the Plan going forward.