

## CONOCOPHILLIPS PENSION PLAN

### APPENDIX A – THE CHAIR’S ANNUAL GOVERNANCE STATEMENT

#### ConocoPhillips Pension Plan – AVC Section

**NOTE: THIS COMPLIANCE STATEMENT RELATES SOLELY TO THE PLAN’S MONEY PURCHASE BENEFITS (SUCH AS ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS) AND OTHER MONEY PURCHASE BENEFITS). THIS STATEMENT IS NOT RELEVANT TO ANY MEMBER’S DEFINED BENEFIT PENSION.**

#### THE CHAIR’S ANNUAL GOVERNANCE STATEMENT

This Statement has been prepared by the Trustee of the ConocoPhillips Pension Plan (‘the Plan’) to demonstrate how the Plan’s AVC arrangements have complied with the governance standards under the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The statement covers the period from 1 April 2022 to 31 March 2023.

The Trustee recognises that for DB schemes where DC AVC pension provision is made up entirely of employee contributions, such arrangements are exempt from the above regulations. It has however prepared a statement, acknowledging that the Plan has historically received a small number of transfers-in from non AVC arrangements, which include employer contributions and contracted out rights, where such arrangements are not exempt. The Plan is therefore a “Relevant Scheme” for the purpose of the Regulations outlined above. The Trustee has concluded that, because of the nature of the defined contribution arrangements, there are no arrangements that would currently count as a “default” for the purposes of the Regulations (therefore there is no requirement to attach the Statement of Investment Principles to this statement). Furthermore, the Plan is not used as a qualifying scheme for auto-enrolment purposes. The Trustee has considered the risks to members in the context of the significance of the value of AVCs relative to members’ overall benefits in the Plan and has applied a proportionate approach to meeting the relevant governance standards. The Trustee plans to recommence its review of the small number of remaining non-AVC funds with the aim of converting them, and therefore remove the associated DC governance requirements. The intention was for this exercise to conclude in the 2022/23 reporting period; however, this was delayed due to a change to the Plan’s Defined Benefit (DB) administrator which took place during the reporting the period. It is the Trustee’s intention to conclude this exercise in the 2023/24 reporting period.

The core of the AVC arrangements are invested through Standard Life, the Plan also has legacy AVC arrangements with Standard Life, Santander Phoenix Life and Clerical Medical.

#### General investment principles

One of the Trustee’s general investment principles is to offer a range of suitable funds for members to invest in whilst being able to mitigate the range of risks faced (including inflation risk, capital risk, decumulation mismatch risk and opportunity cost risk). This principle is an extract from the Statement of Investment Principles (SIP). A copy of the full Statement of Principles (dated December 2022) is found on the Pension Plan website <https://www.conocophillips.co.uk/pensions-updates>.

#### Investment strategy and monitoring

Although the Plan does not have a “default arrangement” the Trustee offers a lifestyle option that aligns with taking a cash lump sum at retirement. The objective of the lifestyle strategy is to generate capital growth by investing in the Standard Life BlackRock Managed (50:50) Global Equity Pension Fund before gradually reducing risk and volatility during the five years immediately prior to the member’s selected retirement date by automatically switching to the Standard Life Deposit and Treasury Pension Fund. The lifestyle targets a cash lump sum as the majority of members use their AVC benefits as a first port of call to fund their tax-free cash entitlement on retirement.

The investment fund range is made up of the lifestyle strategy and seven self-select funds administered by Standard Life (the “core fund range”) that include funds investing in Equities, Gilts, Bonds and Cash. The core fund range detailed below is open to all members within the Plan.

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The Trustee reviews the investment performance of the core funds available on an annual basis and takes investment advice from professional advisers to ensure that they have appropriate knowledge, competency and experience to manage the Plan’s AVC assets. The last review was carried out in the second quarter of 2023. Overall, the funds performed in line with their respective benchmarks within acceptable tolerances during the reporting period. The Trustee will continue to monitor the investment performance of the core funds on a quarterly basis and raise any ongoing issues with the investment managers.

There are also a number of legacy funds that were closed to future contributions with effect from 30 June 2009 which members retain investments in. The Trustee reviews these funds less frequently and acknowledges that members have the option to move to the core fund range at any time as communicated to the membership.

#### **Financial transactions**

The Trustee employs Standard Life as the Plan’s main AVC provider to undertake the core financial transactions on behalf of the Fund. Core financial transactions include (but are not limited to):

- investment of contributions
- transfer of members’ assets to and from the Plan
- switching between investments within the Plan’s fund range
- payments out of the Plan to members/beneficiaries.

There is a Service Level Agreement (SLAs) in place with Standard Life for all core financial transactions. These SLA’s are the Trustee’s agreed levels for the promptness and accuracy of processing financial transactions. All SLAs are no more than 10 working days and are all within legal disclosure limits. Standard Life’s performance against its SLAs was on average 87% throughout the reporting period and consequently no member complaints were received.

During the reporting period the Trustee took the following steps with the aim of ensuring that core financial transactions were processed promptly and accurately:

- Monitoring, assessing and reconciling financial transactions and performance against SLAs on an ongoing basis via Standard Life’s quarterly reports. Throughout the reporting period Standard Life completed all core financial transactions either via straight through processing or within their agreed SLA.
- Regular member contributions received have always been submitted to Standard Life’s online portal for investment well in advance of The Pension Regulator’s deadline.
- Standard Life documented its controls in the relation to core financial transaction actions via the Pension Internal Control Statement.
- Capita as the ceding Defined Benefit (DB) administrator, in collaboration with Company representatives of the in-house pensions team providing services to the Trustee, monitored the AVC Provider service levels. During the reporting period no issues were noted with the services provided by any of the Plan’s AVC providers and processes involving Standard Life were found to have been completed in a timely manner.
- The Plan’s AVC providers were formally notified of the upcoming change of DB Administrator well in advance of the effective date (7 March 2023) and an onboarding session was held between the incoming DB Administrator Barnett Waddingham, Standard Life and the Pensions Manager to document the Plan’s AVC processes to ensure no interruption to pension operations including payment of contributions and/or member benefits.

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- Standard Life has in place appropriate internal processes and controls that include the checking and reconciliation of investment and banking transactions. This includes an 'enter check' process which ensures the administrator that submits a financial transaction request cannot also authorise the request. Standard Life undertakes a daily reconciliation of units with the investment managers and a daily reconciliation of the Trustee bank account. It also has in place an authorisation process which increases in seniority in relation to the size of the monetary amount.
- Standard Life undertakes a daily reconciliation of units with the investment managers and a daily reconciliation of the Trustee bank account.

Based on all the above, the Trustee is satisfied that the Plan’s core financial transactions have been processed promptly and accurately during the Plan year.

#### **Charges and transaction costs**

The investment charges and Standard Life administration costs are paid by the members through the funds’ annual management charges (AMCs) with Standard Life.

Transaction costs are those incurred by fund managers as result of buying, selling, lending or borrowing investments. These costs are taken into account via the unit price for each of the funds. Transactions can have a positive or negative effect on each fund and hence transaction costs can be positive or negative. For example, if a transaction involves a net inflow of assets into a particular fund, this can sometimes have a positive effect on the price of each unit in the fund, the reverse can also be true.

The charges applied to the current core fund range of unit-linked funds including those that make up the Plan’s lifestyle investment option are in the range of 0.33 to 0.34% p.a.

The Trustee also offered access to a Deposit account with Santander (formerly Abbey National). There are no explicit charges for the Santander Deposit Account, the costs of operating the fund are taken into account prior to the annual interest amount being declared or applied.

The level of charges and transaction costs applying during this period (1 April 2022 to 31 March 2023) for all funds are shown in the table below. The funds that make up the core range are highlighted in bold.

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Charges and transaction costs table

Fund	Effective total member borne deductions (Fund Management Charge plus additional expenses, less scheme rebate of 0.50% p.a.)	Transaction costs (Rounded to four decimal places)
<b>Standard Life BlackRock ACS World ex UK Equity Tracker Pension Fund</b>	<b>0.33%</b>	<b>0.0198</b>
<b>Standard Life BlackRock Managed (50:50) Global Equity Pension Fund</b>	<b>0.34%</b>	<b>0.0361</b>
<b>Standard Life iShares Corporate Bond Index Pension Fund</b>	<b>0.33%</b>	<b>0.0719</b>
<b>Standard Life iShares Index Linked Gilt Index Pension Fund</b>	<b>0.33%</b>	<b>0.0543</b>
<b>Standard Life iShares Over 15 Year Gilt Index Pension Fund</b>	<b>0.33%</b>	<b>0.00</b>
<b>Standard Life iShares UK Equity Index Pension Fund</b>	<b>0.33%</b>	<b>0.1275</b>
<b>Standard Life Deposit &amp; Treasury Pension Fund</b>	<b>0.33%</b>	<b>0.0365</b>
Standard Life Managed Pension Fund	0.34%	0.1994
Standard Life International Equity Pension Fund	0.34%	0.1745
Standard Life FTSE Tracker Pension Fund	0.33%	0.0297
Standard Life Asia Pacific ex Japan Equity Pension	0.44%	0.1319
Standard Life Ethical Pension Fund	0.33%	0.0853
Standard Life UK Equity Pension Fund	0.33%	0.1575
Standard Life Stock Exchange Pension Fund	0.35%	0.1805
Standard Life Pension With Profits One Fund	-	0.0292
Standard Life Multi Asset Managed (20-60% Shares)	0.34%	0.2021
Standard Life Index Linked Bond Pension Fund	0.33%	0.0705
Standard Life Property Pension Fund	0.35%	0.1796
Standard Life European Equity Pension Fund	0.33%	0.097
Standard Life Pension With Profits One 2006 Fund	-	0.0292
Standard Life Mixed Bond Pension Fund	0.33%	0.0608
Standard Life Far East Equity Pension Fund	0.40%	0.1192
Standard Life Global Equity 50:50 Pension Fund	0.33%	0.1437
Standard Life UK Smaller Companies Pension Fund	0.82%	0.00
SL Jupiter UK Mid Cap Pension Fund	1.17%	0.2715
Standard Life Annuity Targeting Pension Fund	0.33%	0.0833

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Clerical Medical Balanced Pension	0.495%	0.38%
Clerical Medical Cash Pension	0.495%	0.02%
Clerical Medical With-Profits	0.495%	0.33%
Phoenix Life With Profits	1.00%	0.0380%
Phoenix life Deposit Pension	0.90%	0.0006%
Phoenix Life UK Equity Pension	0.92%	0.0390%
Phoenix Life International Equity Pension	0.93%	0.1350%
Phoenix Life Mixed Pension	0.96%	0.1241%
Phoenix Life Indexed Linked	0.93%	0.0248%
Phoenix Life Fixed interest	0.91%	0.0380%

Negative transaction costs are shown as zero in the above table

The Financial Conduct Authority (FCA) published its policy statement on the disclosure of transaction costs in workplace pensions, the statement confirmed that from 3 January 2019, providers must provide within a reasonable timescale information about transaction costs (those costs incurred in buying and selling funds) calculated according to the methodology set out in the FCA's policy statement (known as the 'slippage cost' methodology).

Standard Life, Phoenix Life and Clerical Medical have provided the Trustee with transaction costs incurred by members at a fund level as detailed in the table above. Total transaction costs have been calculated as a percentage of the average fund value over the Plan year.

The Trustee has taken into account the new statutory guidance which requires trustees to make available certain information on a publicly accessible website. This includes an illustration of the cumulative impact over time of costs and charges on the value of typical Plan member's DC funds. This illustration is included in Appendix 1 and can also be accessed using the website address: <https://www.conocophillips.co.uk/pensions-updates/>. In producing this illustration, the Trustee in conjunction with its Investment Consultant, has taken account of the relevant statutory guidance.

### Investment Returns

Taking account of the Department of Work and Pensions guidance, below is the investment performance (net of fees) of the investment options available within the Plan.

Fund	One Year (annualised)	5 Year (annualised)
Standard Life BlackRock ACS World ex UK Equity Tracker Pension Fund	-4.18	10.84
Standard Life BlackRock Managed (50:50) Global Equity Pension Fund	0.75	6.64
Standard Life iShares Corporate Bond Index Pension Fund	-10.94	-1.23
Standard Life iShares Index Linked Gilt Index Pension Fund	-29.83	-4.30
Standard Life iShares Over 15 Year Gilt Index Pension Fund	-30.19	-6.71

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Standard Life iShares UK Equity Index Pension Fund	1.58	4.62
Standard Life Deposit & Treasury Pension Fund	1.86	0.45
Standard Life Managed Pension Fund	-3.09	4.44
Standard Life International Equity Pension Fund	-2.71	8.22
Standard Life FTSE Tracker Pension Fund	2.62	4.68
Standard Life Asia Pacific ex Japan Equity Pension	-2.81	3.83
Standard Life Ethical Pension Fund	-6.26	2.06
Standard Life UK Equity Pension Fund	1.42	3.31
Standard Life Stock Exchange Pension Fund	-0.89	6.42
Standard Life Pension With-Profits One Fund	2.7	13.2
Standard Life Multi Asset Managed (20-60% Shares)	-3.86	2.46
Standard Life Index Linked Bond Pension Fund	-30.09	-4.40
Standard Life Property Pension Fund	-16.92	0.66
Standard Life European Equity Pension Fund	8.69	7.98
Standard Life Pension With-Profits One 2006 Fund	2.7	13.2
Standard Life Mixed Bond Pension Fund	-12.74	-1.71
Standard Life Far East Equity Pension Fund	-3.04	3.37
Standard Life Global Equity 50:50 Pension Fund	-0.76	6.01
Standard Life UK Smaller Companies Pension Fund	-24.89	1.35
SL Jupiter UK Mid Cap Pension Fund	-24.12	-5.82
Standard Life Annuity Targeting Pension Fund	-17.10	-3.29
Clerical Medical Balanced Pension	-4.29	2.56
Clerical Medical Cash Pension	1.32	0.26
Clerical Medical With-Profits	0.74	0.59
Phoenix Life With Profits	-16.08	-11.22 *
Phoenix Life Deposit Pension	2.00	2.00 *
Phoenix Life UK Equity Pension	0.00	9.00 *
Phoenix Life International Equity Pension	-9.00	-39.00 *
Phoenix Life Mixed Pension	8.00	16.00 *
Phoenix Life Indexed Linked	-39.00	-27.00 *
Phoenix Life Fixed interest	-23.00	-17.00 *

\*Phoenix Life investment performance as at 30 June 2022.

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In the table below we have provided net investment returns for the Plan’s Lifestyle strategy. This strategy automatically switches members investments as they approach their target retirement age. Therefore, we have shown the investment performance based on the members’ age. We have assumed a target retirement age of 65.

<b>Age of member</b>		<b>One year annualised (31.03.22 – 31.03.2023)</b>	<b>Five year annualised (31.03.18 – 31.03.2023)</b>
Cash Lifestyle	Aged 25 at start of period	0.75	6.64
	Aged 45 at start of period	0.75	6.64
	Aged 55 at start of period	0.75	6.64

Source: Standard Life

#### Notes:

- Standard Life has confirmed that returns are net of all costs and charges and have been calculated in line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 and accompanying statutory guidance.
- The charges assumed are those currently applicable to a single contribution of £10,000 paid at the beginning of the reporting period.
- Returns are annualised geometric means over the time periods displayed. For example, if a net fund return over a 5 year period was 15.9% this would be shown as 3% p.a. in the ‘5 year’ column.
- Returns are net of all costs and charges borne by members, including platform or product administration charges, fund management charges, additional fund expenses and transaction costs.
- The net returns reflect the current charge arrangement. These charges could vary in the future.
- For age specific returns, a normal retirement age of 65 has been used.

#### Value for Members (“VFM”)

The Trustee is committed to ensuring that the AVC arrangements of the Plan provide VFM (i.e. that the costs and charges deducted from members’ funds provide good value for members in relation to the benefits and services provided by or on behalf of the Trustee).

In accordance with the Pensions Regulator’s DC Code of Practice No 13, the Trustee considers VFM on an annual basis and in August 2023, in conjunction with its professional advisers, the Trustee undertook an assessment of whether the total cost of membership in the AVC Section represented value for members for the reporting period. This assessment considered the services members pay for (including investment, administration and communications) and assessed the extent to which these services both meet members’ needs and have performed over the reporting period. Consideration was also given to ‘broader value’, i.e. the wider benefits and services members receive in relation to the Plan for which they do not pay (included scheme management).

The Plan’s AVC arrangement with Standard Life is a bundled arrangement where members cover the cost of administration, communication and investment. The assessment found that overall members are receiving sufficient value as:

- The 2022/23 VFM assessment found that the charges payable within the Standard Life arrangement are below the averages found within the FTSE 350 and the average payable across all of Willis Towers Watson clients.
- The AVC section is administered by Standard Life who have delivered an SLA target of 87% during the reporting period. Standard Life’s member helpline has delivered the best performance across the pensions market in terms of the time taken to answer the phones and the feedback provided by members.

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- The funds that make up the core fund range performed in line with their agreed objectives.
- Standard Life enables members to view their pension accounts online. Members also have access to a range of online tools to help them make investment decisions and monitor investment performance as well as assist with their financial planning. Standard Life are trialling video benefit statements with a large telecommunications client and hope to make these more widely available soon.

As part of the assessment the Trustee also considered the value of those services where the costs are met by the Sponsoring Employer (rather than the members). Below are some of the key areas where the Plan offers value:

- Members are able to use their AVCs to help fund their tax-free cash and the lifestyle strategy is well designed for this option.
- The Trustee, Pensions Manager and broader Company support monitor the Plan, this includes engaging with service providers to address any service issues that are identified.
- The Trustee monitors the Plan’s investment options on an ongoing basis to ensure they continue meet their performance objectives.
- The Trustee and Company provide targeted communications at key points and work together on complex matters. Although the Trustee acknowledges that some of the legacy AVC options contain valuable features (such as capital guarantees and guaranteed investment returns), the Trustee focussed its value assessment on the value provided within the core AVC range as the Trustee does not have the power to transfer individuals out of the non-core or legacy AVC options. The Trustee will continue to communicate with individuals invested outside of the core AVC options to make them aware that they can transfer into the core fund range at any time.

#### **Trustee knowledge and understanding (“TKU”)**

The Trustee has a TKU process in place which, together with the advice available to it, enables it to exercise its functions as Trustee of the Plan. The Trustee Directors are generally long standing and have worked together for a number of years within established sub-committees and as such have learnt to operate in a way which plays to each director’s strengths and area of expertise. The Trustee is satisfied that it has met its knowledge and understanding duties during the Plan year and that it has sufficient knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the funding and investment of occupational schemes. The Trustee’s approach to meeting the TKU requirements include:

- Ensuring each Trustee Director has a working knowledge, through training, of all key documents setting out the Trustee’s current policies (including the Trust Deed and Rules and the Statement of Investment Principles which was most recently reviewed and updated December 2022).
- All Fund documents and meeting minutes are easily accessible on a dedicated SharePoint site established for this purpose.
- Ensuring that all new directors complete the Trustee Toolkit within six months of their appointment and that their training remains current.
- A centralised training log is maintained on a quarterly basis and forms part of a formal annual review
- Annual tailored Trustee training day, including training from legal, investment and actuarial advisers



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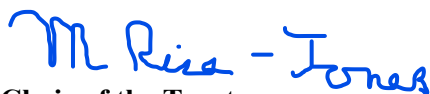
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- Training from professional advisers and service providers on topical items is provided as and when required i.e. following the output of the formal annual review or in advance of a particular project.
- The Trustee’s appointed legal adviser and the Plan Actuary both attend every Trustee meeting to provide guidance as required to the Trustee, and the Trustee’s other advisers e.g. covenant and Investment advisers will attend for relevant agenda items.
- The Trustee receives general regular updates from its advisers about matters relevant to the Plan.
- Trustee self-evaluations with feedback from its advisers are undertaken with future training sessions being planned to follow the output of these assessments. These assessments consider the Board’s knowledge across areas such as understanding of pension or trust law and knowledge of funding and investment principles. This process is collectively used as the basis for confirming that the Trustee is properly exercising its duty and also drives the agenda for formal training over the forthcoming year. The next assessment is scheduled for Q1 2024.
- Below are some examples of training topics that were covering during the reporting period:
  - Implications of the Pensions Schemes Act
  - Actuarial factor review initial considerations
  - Incorporating a buy-in into the Journey Plan
  - Diversity, Equity and Inclusion
  - Draft DB Funding Code

We believe that implementation of the combination set out above of the Trustee Directors’ knowledge and understanding, experience, skills, training activities and evaluation process, together with the specialist advice available to them, enables the Trustee to properly exercise its function as Trustee of the Plan.

Signed:

Date: 27/10/23



**Chair of the Trustee  
ConocoPhillips Pension Plan**