

ConocoPhillips Pension Plan

Trustee's Report in respect of the Occupational Pension Schemes (Climate Change Governance and Reporting Regulations 2021)

For the period 1 October 2022 to 31 March 2023

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Glossary

Absolute Emissions	The total emissions attributable to the Plan’s assets
Carbon Footprint	The total carbon emissions per £ million invested (tCO ₂ e/m invested)
CO₂e	Carbon dioxide emissions or equivalent.
ESG	Environment, Social and Governance
EVIC Methodology	Enterprise Value including Cash methodology. Emissions are weighted across equity, debt and loans.
Net Zero	The position of reducing greenhouse gas emissions as far as possible and removing any remaining emissions
Physical Risk	The direct effects of climate change on the sponsor covenant, the Plan and its members.
Portfolio Alignment	The percentage of the portfolio aligned with a particular net-zero initiative
Responsible Investment (RI)	Making investment decisions and engaging with companies in order to encourage a positive impact on the world
SBTi	The Science-Based Target Initiative. An organisation that defines and promotes science-based emissions reduction targets. Further information can be found at https://sciencebasedtargets.org/how-it-works .
Scope 1 Emissions	Direct emissions from a company’s owned or controlled sources. This may include emissions from a firm’s manufacturing processes or emissions from company vehicles
Scope 2 Emissions	Indirect emission from the generation of purchased energy, such as heating for company facilities.
Scope 3 Emissions	All other indirect emission, including those of suppliers and customers. These may include emissions related to the transportation and distribution of goods and disposal of waste generated in operations.
Transition Risk	Risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change
WACI	Weighted Average Carbon Intensity. The total carbon emissions per \$ million of revenue of each holding in the portfolio (tCO ₂ e/\$m revenue):

Section 1: Introduction and Chair Foreword

A message from the Chair of the ConocoPhillips Pension Plan

On behalf of the Trustee of the ConocoPhillips Pension Plan, I am excited to present the Plan's first climate change report, displaying some of the important work we have been doing in this area to protect the Plan from the effects of climate change and to understand and limit the impact our investments have on the world. Climate change and the world's response to it represents a material risk and opportunity. The Trustee therefore believes it is best practice to keep these risks and opportunities under review and has developed the investment / funding / covenant strategy that it believes will allow it to monitor and mitigate these risks. This framework is set out in detail in this report.

Given the number of members that rely on the Plan to provide for their future, the Trustee's overriding responsibility is to deliver security to its members and their beneficiaries over the decades to come. Our work to evaluate the potential effects of climate change is designed to maintain the financial wellbeing of the Plan in the many different scenarios that the future could bring. The Trustee has therefore assessed the covenant, assets, and liabilities under a range of scenarios. Beyond this, the Plan has engaged with key advisors and investment managers to better understand their climate change credentials and drive forward our understanding of the risks and opportunities faced by the Plan.

In setting the Plan's ultimate objective, we have worked closely with **our sponsor's parent, ConocoPhillips Inc** to ensure alignment and provide a shared goal. Our commitment to a target of Net Zero Carbon Emissions Intensity by 2050 is intended to best provide for the financial health of our members and one which the Trustee will work hard to achieve over the coming years.

The key takeaways for members from this report are:

- The Trustee has reviewed the responsibilities associated with climate risk diligently and has clearly defined the roles under which its advisors are responsible, as well as the roles they take ultimate responsibility for.
- Overall, it is the Trustee's view that the Plan is resilient to climate risk, taking a holistic view across asset, liability and covenant risk. The Plan is least well-positioned to manage climate risk under a "Global Coordinated Action" scenario, which exposes the Plan's assets to transition risk. Given the low risk nature of the Plan's investment portfolio, the main concern under this scenario is the mortality impacts on the Plan's membership. The Trustee may consider future opportunities to remove the mortality risk under this scenario.
- The Plan has set a target of net zero carbon emissions by 2050 and has made progress over 2022 against this objective. The Trustee has considered a number of different approaches to reducing the carbon footprint in the future, including how this aligns with its long-term funding objective.

This report is designed to assist you in understanding the risk and opportunities presented by climate change to the Plan and the actions that the Trustee is taking to consider and assess these. Over time, the report will also provide a transparent way of monitoring our progress towards the net zero target.

Malcolm Rice-Jones
Chair of the ConocoPhillips Pension Plan

Introduction

The Trustee of the ConocoPhillips Pension Plan (which we will refer to as the “Trustee” and the “Plan”, respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the period ended 31 March 2023. The principal employer of the Plan is ConocoPhillips (U.K.) Holdings Limited. The Plan provides DB benefits and is closed to new entrants, delivering benefits based on a member’s salary and length of service.

At the end of March 2023, the Plan had £1.5bn in assets. The Plan also allows members to pay Additional Voluntary Contributions (“AVCs”), however, the Trustee has not gathered climate data for these funds as the size of the assets (0.8% of the Plan as at 31 March 2023) is likely to have a minimal impact on the overall data and metrics.

The Plan is now subject to the requirement to produce disclosures in line with the recommendations of the Task Force on Climate Related Disclosures (TCFD). The aim is to improve and increase reporting of climate-related financial risks and opportunities across UK pension schemes.

The TCFD framework requires disclosures in four broad categories:

- **Governance** around climate-related risks and opportunities
- **Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the scheme
- **Risk management:** how the scheme identifies, assesses, and manages climate-related risks
- **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

This report sets out the Trustee’s approach to compliance in each of these four areas



Section 2: Governance

The oversight of climate risks and opportunities

The Trustee is ultimately responsible for overseeing all matters related to the Plan, including climate-related risks and opportunities. The Trustee has therefore, taken responsibility for reviewing the potential impact of climate change on the employer covenant and integrating this into broader strategy, risk management and monitoring. However, in order to efficiently manage the wide range of issues to consider, a number of committees have been set up to consider other specific areas of importance in greater levels of detail.

Ownership of the oversight of Responsible Investment (RI), including the risk and opportunities relating to climate change, has been delegated by the Trustee to the Investment Committee. The Investment Committee meets on a quarterly basis, reporting on matters discussed and making recommendations to the Trustee Board following each meeting.



The Trustee recognises the importance of taking RI factors into account in its decision making and received training on this during the year. During 2022, the full Trustee Board also undertook a beliefs exercise to identify and document the key areas for focus in the future. This highlighted areas of focus for the Trustee, in particular the Trustee’s preference for engagement over exclusions in relation to the Plan’s investment portfolio and the Trustee’s desire to ensure alignment of its approach with that of ConocoPhillips Inc.

Activities of the Investment Committee

The IC is made up of three members of the Trustee Board, who receive advice from the Plan’s investment, actuarial, covenant and legal advisors as required. The key responsibilities of the IC are to implement and oversee the investment strategy for the Plan, as agreed by the Trustee Board.

Over the year to 31 March 2023, the IC undertook a number of activities designed to help it better understand the risks and opportunities associated with climate change and their possible impact on the Plan, comprising:

- Review of a dashboard prepared by the Plan’s investment consultant setting out a number of Environmental, Social and Governance (‘ESG’) metrics associated with the Plan’s investment portfolio. These metrics were used to challenge an investment manager in relation to a number of holdings within the Plan’s investment grade corporate bond portfolio. As part of this review, the investment advisor provided training around the possible metrics and what an appropriate target may be for each.

- Review of an assessment of the Plan’s investment managers, specifically relating to their incorporation of ESG considerations into their investment process and their engagement activities.
- Discussion of a presentation from the Plan’s principal investment manager, where an overview was provided of its ESG policy and specifically how this impacted portfolio carbon emissions data. The Trustee challenged the manager on the integration of ESG characteristics within the Buy & Maintain portfolio and the high carbon emissions intensity demonstrated by the portfolio.
- Consideration of climate change scenario analysis and its potential impact on the assets and liabilities of the Plan over time. This analysis is considered in more detail later in this report.
- Recognition of sustainability considerations, including the impacts of climate change, as a key risk for the Plan through its inclusion in the Risk Register. This documents the nature of the risk, the mitigants adopted and planned and the potential impact.
- Training provided by the Plan’s covenant advisor with respect to climate change and the possible impact on the Plan’s Sponsor as part of the covenant review. Given the nature of the Sponsor, the Trustee regularly receives training from the covenant advisor in this area and updates on future possible pathways.

Service providers

The Trustee has prepared a “Trustee statement regarding the oversight of climate related risks and opportunities”, which formally documents the roles and responsibilities both of the Trustee and the Trustee’s advisors in relation to climate change and is provided as an appendix to this document. This statement identifies the following key service providers and sets out the expectations of the Trustee in relation to the services they provide to the Plan:



As part of its ongoing governance processes, the Trustee periodically undertakes assessments of each advisor’s capabilities, including where relevant in relation to the incorporation of climate change risks and opportunities into the advice provided. In addition to this, the Trustee has set formal objectives for the Plan’s DB investment advisor, which incorporate the requirement to consider the risks and opportunities associated with all Responsible Investment matters, including climate change. The investment advisor is assessed against these objectives on an annual basis by the Trustee.

The Trustee expects the Plan’s investment managers to have integrated Responsible Investment considerations (including those relating to climate change) into their investment processes and decision making. The Trustee has delegated responsibility for stewardship to its investment managers, subject to oversight by the IC.

To ensure that its policies are being followed, the IC reviews each manager’s approach to Responsible Investment annually, which includes the investment advisor’s assessment of each manager’s Responsible Investment capabilities alongside a bespoke questionnaire to understand recent

developments in more detail. This provides the Trustee with a framework to monitor the managers and highlight any areas that may need further investigation.

Section 3: Strategy

Time horizons

The Plan has a long-term obligation to meet member benefits and, therefore, adopts a long-term approach in its consideration of funding, employer covenant and Plan investments. The Trustee recognises that it is important to factor sustainability considerations, including the impact of climate change, into its long-term planning and investment decision making. The Trustee recognises in its investment beliefs that it is important to align its approach in this area with that of ConocoPhillips Inc and has held a number of discussions with the company over the year in order to fully understand the work being undertaken and the commitments made.

When considering the potential risks and opportunities associated with climate change, the Trustee considers potential outcomes over a range of time horizons:

1. **Short-term:** The Trustee selected **2027** to represent its short-term time horizon, reflecting the period of expected near term changes in climate regulations and the current timeframe to which it is managing the Journey Plan.
2. **Medium-term:** The period to **2035** was selected to represent a medium-term time horizon, reflecting the period over which transition risks (see below) are expected to dominate outcomes.
3. **Long-term:** The period to **2050** was selected to represent a long-term time horizon, being the period over which the Trustee expects to achieve its carbon reduction target as set out later in this report.

The Trustees consider these timeframes to be appropriate considering the Plan's liabilities and its obligations to pay benefits.

When assessing risk, the Trustee considers this holistically in the context of liabilities, assets, covenant and members. The Trustee considers two major categories for climate-related risks and opportunities which it believes to be financially material for the Plan. Namely, risks and opportunities related to the transition to a lower-carbon economy and risks and opportunities related to the physical impact of climate change.

- **Transition risks.** This relates to the risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change. The financial impact of these risks and opportunities is generally expected to occur in the medium-term, with some perhaps occurring in the short term. Risks arising could include regulatory or societal changes rendering parts of the business of invested companies worthless – for example, fossil fuels 'in the ground' which become economically unviable to extract due to a lack of a suitable market or due to regulations preventing their extraction. Opportunities include early investment in assets, which are likely to benefit from climate change adaptations, such as green energy providers.
- **Physical risks.** This relates to the direct effects of climate change on the Plan and its members. Whilst these comprise both acute or short-term risks (e.g., extreme weather or wildfire events), and chronic or long-term risks (e.g., rising sea levels), the main financial effects are expected to be longer term in nature. An increased number and magnitude of extreme events may cause changes to the physical landscape, which could lead to assets being devalued or destroyed. This would directly impact asset classes such as property or infrastructure, as well as the value of a company's equity and bonds if they own assets that are affected or if physical events impact their business model. Changing temperatures is also expected to have a long-term impact on the life expectancy of members.

Scenario Analysis

The Trustee has carried out climate change scenario analysis in partnership with its investment , actuarial and covenant advisors. The aim of this analysis was to help the Trustee to understand and quantify the potential effects of climate change on the Plan's assets, liabilities and covenant and, where required, identify possible actions to address the risks and opportunities presented.

The Trustee has not collected data or calculated metrics for that portion of the Plan relating Additional Voluntary Contributions (AVC). These assets comprise approximately 0.8% of the portfolio as at 31 March 2023 and, accordingly, the Trustee considers this a reasonable and proportionate approach, given the minimal impact that these would have to the overall data and metrics collected and calculated for the remainder of the Plan's assets. The Trustee has assessed 100% of the Plan's Defined Benefit ("DB") assets under the scenarios presented.

As part of this analysis, the Trustee considered two separate scenarios which are in part defined through their success, or otherwise, in meeting the Paris Agreement target of a below 2.0°C temperature rise. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. We have assessed the transition risks and physical risks independently of one another when producing our expected impact on asset returns. The combination of the two has produced an expected percent per annum impact on an individual asset class over a period of twenty years. The effect on the Plan has then been calculated based on these impacts and the asset class weighting within the Plan's portfolio.

These scenarios have been considered as the Trustee believes that they cover a plausible and comprehensive range of climate outcomes over the long-term:

1. A clear transition narrative that describes the socioeconomic pathway, both globally and regionally, from climate policies implemented and resulting in technological and societal shifts that occur.
2. Modelled emissions pathways resulting from the implementation of public policies and technologies resulting in the level of temperature rise.
3. A set of economic costs and benefits resulting from physical and transition risks and opportunities.
4. The impact on financial returns at the asset class level.

Whilst there were no issues with the data or its analysis that would have limited the comprehensiveness of the assessment of the scenarios, the Trustee recognises that there is a great deal of uncertainty around the assumptions used, and the expected outcome, under each of the scenarios.

The Trustee understands that the investment advisor made a series of simplifying assumptions to shield the analysis from being obscured by other factors. The key assumptions were as follows:

- The investment strategy in place over the projection period is the strategic asset allocation in place at the date of the analysis. This is assumed to be the base case scenario.
- The discount rate used to value the Plan's liabilities is expressed as a fixed margin above the yield on UK government bonds.
- The impact of the climate scenarios is assumed to emerge gradually over time (the Trustee notes that, in practice, the timing of these impacts, if they were to emerge, is highly uncertain).
- The impact of climate change is time dependant, with transition risk being front-loaded over the first 10 years, and physical risk following over the remainder of the projection period (up to 2050).
- Gilt yields will not be materially impacted by climate risk over the short term (the Trustee recognises that, in practice, yields might rise or fall but the direction and magnitude of change is not clear).

While each of the scenarios selected reflect pathways for global temperature increases, it is broadly acknowledged that there is material uncertainty in all aspects of climate scenario modelling. It is not yet known which energy transition pathway will transpire and it could look quite different to those modelled. The projections served to illustrate the possible future range of long-term returns from different asset classes and their inter-relationship, but it is recognised that no economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events. The projections also served to illustrate the potential variability, but it is recognised that these are subjective and arguments could be made for different outcomes. The scenario analysis takes no account of developments after the date of its presentation to the Trustee.

Impact on Funding Level

The projected impacts on assets and liabilities and the funding level were assessed under the Lowest Common Dominator and Global Coordinated Action **scenarios to the time horizons set out above.**

	Least Common Denominator	Global Coordinated Action
Description	A ‘business as usual’ scenario where current policies continue with no further attempt to incentivise further emission reductions.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner.
Temperature rise vs pre-industrial levels	3.5°C	2.0°C
Renewable energy by 2050	30-40%	65-70%
Transition risk level (shorter term)	Low	Low – Medium
Physical risk level (longer term)	High	Low
Asset and liability return impacts (over 20 years)	The analysis shows that the impact of this scenario on the asset return was -0.08% p.a. along with a -0.60% p.a. change to the liability return (relative to the base case).	The analysis shows that the impact of this scenario on the asset return was -0.11% p.a. along with an increase of 0.43% p.a. to the liability return (relative to the base case).
Projected 2027 funding level relative to central expectation	+4.1%	-4.2%
Projected 2035 funding level relative to central expectation	+8.1%	-17.3%
Projected 2050 funding level relative to central expectation	+10.9%	-24.3%

The analysis identified that the “Global Co-ordinated Action” scenario is expected to have a negative effect on the Plan’s projected funding level – increasing the expected date of full funding by approximately 6 years. By contrast, the “Least Common Denominator” scenario is favourable for the funding level but most harmful to the climate, the global economy and members’ life expectancies. Under these scenarios, we have assessed the Plan’s equity portfolio to be the asset class most impacted by climate change. Below, we have assessed the impact on the asset classes the Plan employs relative to their strategic asset allocation.

Asset Class	Strategic Asset Allocation	Least Common Denominator		Global Coordinated Action	
		Physical risk	Transition risk	Physical risk	Transition risk
Equities	10.0%	-0.40%	0.00%	-0.20%	-0.10%
Alternative Credit	10.0%	-0.05%	-0.05%	-0.01%	-0.13%
Buy & Maintain Credit	30.0%	0.00%	0.00%	0.00%	-0.20%
LDI	50.0%	0.00%	0.00%	0.00%	0.00%

In considering the results of the scenario analysis, the Trustee noted that the modelled impact on asset returns was modest, reflecting the relatively low-risk investment strategy adopted for the Plan. In contrast, there was a much greater level of uncertainty around the impact of climate change on member mortality rates, which was a key driver in the variability of the results observed. Mindful of this analysis, the Trustee has agreed that further consideration would be given to the management of longevity risk over time. Based on the climate scenario analysis, the Trustees are confident that the Plan’s investment and funding strategy is resilient to climate risk, particularly in the view of their long-term objective.

Impact on Covenant

The most recent analysis carried out by the covenant advisor in March 2023 considered the employer’s covenant as exposed to two climate change scenarios which are consistent with the scenarios used by the DB investment advisor. As part of this analysis, the Trustees identified higher transition risk over the medium-term under the low warming scenario (c. 2.0°C temperature rise vs pre-industrial levels), and higher physical risk over the medium to long-term under the higher warming scenario (c. 3.5°C temperature rise).

Selected scenarios	Net Zero 2050 ~2.0°C scenario	Current Policies ~3.5°C scenario
Scenario outline	Global decarbonisation starts now , so policies intensify gradually but are implemented immediately. Large transition changes will happen quickly	The world fails to meet the Paris Agreement goals , which leads to continued increase in GHG emissions and rise in global temperatures
Physical risks	Long-term physical risks are reduced but deviations from the present climate are still expected	More pronounced physical risks – particularly over the longer-term
Transition risks	Highest in the near-term as policies are implemented immediately	Limited transition risks over above existing commitments and policies
Alignment with advisers	Broadly aligned to WTW’s Global Coordinated Action scenario	Broadly aligned to WTW’s Lowest Common Denominator scenario
Key findings	<p>Higher transition risk poses threat to profitability and resilience in the medium-term</p> <ul style="list-style-type: none"> • Most material impact on profitability comes from reduction in oil and gas demand • The Group does not have a transition plan to move away from E&P activities so ‘green’ and maintenance capex is assumed to remain unchanged during the period 	<p>Higher physical risk poses threat to operations in the mid-to-long-term</p> <ul style="list-style-type: none"> • Extreme heat is likely to pose material risk to the business, Delaware basin in particular is also exposed to high risks of flooding • Higher remediation cost and loss of revenue could be driven by disruption to production and damaged assets • The Group will be more exposed to other ESG risks such as H&S, labour management and compliance issues over time

The results of the analysis suggest that the ConocoPhillips Inc. group (the “Group”, which includes the employer) could face material risks by 2030 in a rapid transition to a low-carbon world, driven by a reduction in oil and gas demand and rising carbon costs. Although the impact would arise later, a high warming scenario would also increase risks for the Group, principally through significant increases in extreme weather events and associated disruption to operations, distribution and markets; globally, these risks are expected to increase gradually over the long-term but there will also be increased local disruption from extreme weather throughout the period.

Section 4: Risk Management

The management of climate risk

Climate change poses a risk that could impact the financial security of members. Given this, the Trustee looks to measure and mitigate it, as it does with all of the key risks the Plan faces. As noted earlier, the Trustee has recognised sustainability risk (including the impacts of climate change) within the Plan's risk register during the year together with the current and planned mitigants.

The Risk Register is reviewed annually by the Investment Committee and Governance Committee. As part of this process, the Trustee evaluates the risk level through two different channels, the likelihood of the risk occurring and the possible impact on the Plan, on a scale of 1 to 5. Sustainability Risk, which includes climate change and ESG factors, is considered explicitly as an Investment Risk and in addition, climate change is considered by the Covenant Advisor, Cardano, as to the potential financial impact on the Sponsor. Within the established risk framework, the Trustee considers Sustainability Risk to be one of the largest risks to the Plan.

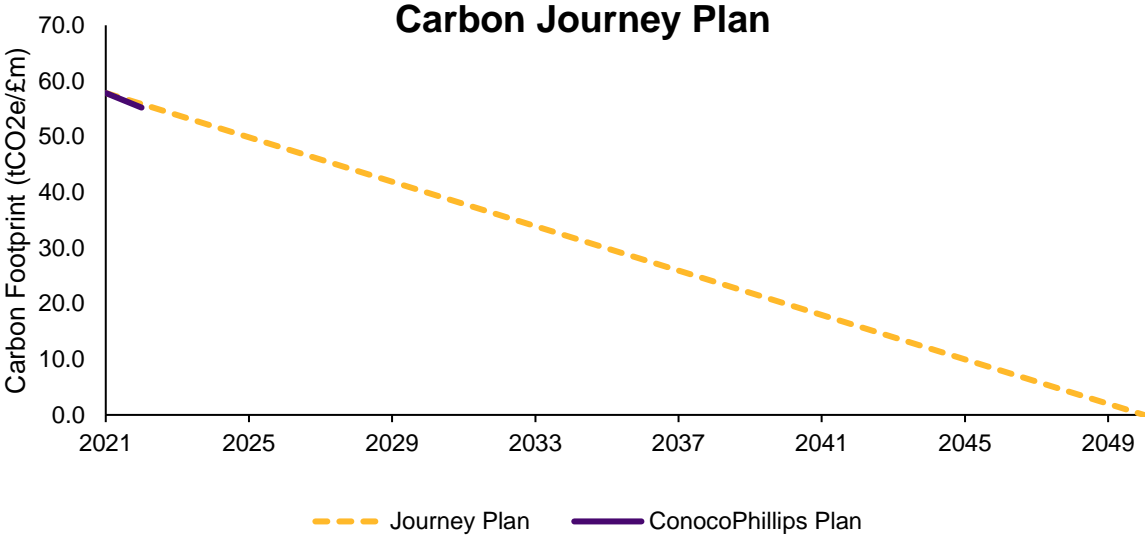
Mitigation of the risks included in the register is a key responsibility of the parties involved in the production of the document. The Trustee has identified the following mitigating actions to address climate change:

- The Trustee receives training on sustainability topics as appropriate and as further legislation on the topic emerges.
- The Investment Advisor provides the Investment Committee with Sustainable Investment assessments of the investment managers they employ on an annual basis.
- The Investment Committee invites investment managers to attend meetings to encourage discussion regarding both investment topics and sustainability.
- The Trustee reviews an assessment of employer covenant strength which includes consideration of climate risk exposure informed by discussion with Group management at least annually.

Alongside this, the Trustee has used the scenario analysis summarised in the previous section of this report to assess the potential top-down effects of climate-related risks upon the Plan. As a result, the Trustee has chosen to adopt a shorter journey plan which aims to achieve a level of funding that implies very limited reliance on the employer covenant before climate risk is expected to be most material. The analysis also suggests that the combination of physical and transition risks could have a notable impact on the achievement of the Trustee's agreed Journey Plan, principally through the possible impact on member longevity. Recognising these possible effects, the Trustee has agreed to further explore the possibility of managing longevity risk within the Plan.

Carbon Journey Planning

To manage the risks associated with climate change, the Trustee is in the process of developing a 'Carbon Journey Plan', which is intended to provide a framework to support the achievement of the carbon emissions reduction target set out in the next section of this report. The Trustee would consider success under the framework of their carbon journey plan to either zero emission or net zero emissions, which would allow for a small amount of emissions that are offset.



Notes to the Carbon Journey Plan:

1. The Carbon Journey Plan initially covers Scope 1 and 2 emissions, with the expectation that Scope 3 emissions will be reported in future years when data availability and accuracy improve (see below).
2. The emissions associated with UK Government bonds will not be included in the Plan’s Carbon Journey Plan monitoring as the Plan is required to hold UK gilts to hedge its pension liabilities and as such disinvesting on sustainability grounds would be inappropriate from a fiduciary duty standpoint. The Plan also has limited capability to effectively engage the with the UK Government. The emissions from the UK gilts will still be calculated and monitored separately and calculated as the tons of carbon emissions per £m of nominal GDP, similar to WACI.
3. The base-year for the calculations is 2021. The Trustee agreed this date as it reflects when carbon data was first reported.

There are a number of ways in which the Trustee expects to achieve the Carbon Journey Plan objective over time:

1. **Engagement:** The Trustee will aim to reduce emissions associated with the Plan’s portfolio through changing the behaviour of the companies it invests in.

Over recent years, the Trustee has begun considering the embedding of mitigation of climate change risk within its strategy. Following on from the actuarial valuation at 31 March 2021, the Trustee has looked to maintain its strong funding position through investment in longer-dated assets to better match the Plan’s liabilities. The nature of the mandates, specifically, the buy & maintain credit, provides an opportunity for better engagement with the companies invested in. As such, the Trustee has integrated the consideration of ESG factors within the selection of investment managers for the Plan, with input from the investment advisor. As part of its ongoing assessment of the Plan’s investment managers the Trustee expects to observe integration of ESG factors within the strategy. The Trustee considers this to be one of the most effective methods of mitigating the investment risk associated with climate change.

2. **Mandate changes including disinvestment:** Over time the Trustee expects to review mandate guidelines and restrictions, particularly in relation to disproportionately emitting strategies. Where investment managers are unable or unwilling to evolve their approach, this may ultimately result in the Plan selling assets if deemed necessary to do so. The Trustee

may also consider the transfer of assets and liabilities to an insurer, which may also achieve their objective of net zero by 2050.

3. **Impact:** Whilst the Plan's investment strategy is relatively mature and low-risk, the Trustee will periodically review market opportunities to understand whether impact investments might be appropriate. These assessments will take into account the time horizons associated with the achievement of the Plan's investment strategy.
4. **Free rider:** Recognising common goals across the investment industry, the Trustee expects the Plan to benefit from the actions and efforts of other participants through a decline in the emissions associated with all asset classes.

Section 5: Metrics and Targets

Plan metrics and target

The pursuit of the Plan’s ambitions to manage climate change risk has led the Trustee to set both a target and a number of metrics to assist it with tracking performance against the objective. The ultimate target of Net Zero emissions intensity by 2050 is designed to align the Plan’s management with that of ConocoPhillips Inc and is considered to be in the best financial interest of the Plan’s members. The metrics have been set in line with the recommendations of the Pensions Regulator and the Department of Work and Pensions and are designed to provide the most useful information possible to the Plan’s members. A more detailed description of each metric is provided below.

Requirement	Metric	Target	Measurement as at 31 March 2023
Absolute Emissions	Total GHG Emissions	n/a	81,594 tCO2e
Emissions Intensity	Carbon Footprint	Net Zero by 2050	55.2 tCO2e/£m invested
Forward-looking alignment	Percentage of the portfolio aligned with approved Science-Based Targets	n/a	19.2%
Other Climate Change Metric	Data quality	n/a	

The TCFD reporting framework also requires the Trustee to define the scope of the emissions monitored, which are as follows:

- Scope 1 Emissions: direct emissions from a company’s owned or controlled sources. This may include emissions from a firm’s manufacturing processes or emissions from company vehicles.
- Scope 2 Emissions: indirect emission from the generation of purchased energy, such as heating for company facilities.
- Scope 3 Emissions: all other indirect emission, including those of suppliers and customers. These may include emissions related to the transportation and distribution of goods and disposal of waste generated in operations.

The data for the metrics has been collated using a combination of manager-provided data, proxied data based on sector/geographical breakdowns, and relevant benchmark data. This data is then uploaded into the investment advisor’s ESG tool (which uses MSCI underlying data) to determine the carbon related metrics reported. The data presented in this report is based on Scope 1 and 2 emissions only, though the Trustee expects to include Scope 3 emissions in future calculations. Investments in LDI (including UK Government bonds and swaps) and cash have been excluded from the analysis.

The Trustee has attempted to collect data for each metric to the best of its ability as at 31 March 2023 and will track progress going forwards. Much of the initial exercise in gathering data has been

delegated to the Plan’s investment consultant in the first instance. The Investment Committee then has the responsibility to assess and raise any concerns regarding the data presented.

Calculating the Plan’s metrics

The Plan’s metrics are calculated as follows:

- 1. **Absolute Emissions:** Total Carbon Emissions (Scope 1 & 2)

As at	31 December 2022	31 December 2021
Total GHG Emissions	81,594 tCO2e	144,384 tCO2ex

This metric measures the total absolute greenhouse gas emissions attributable to the Plan’s assets. This can be used to give a sense of high/medium/low emissions and the associated exposure to a transition to a net-zero economy in the future. The Trustee has compiled the data for the metric this year through the use of MSCI data for direct and indirect emissions at a stock level within the Plan’s portfolio.

Where a company does not report emissions, MSCI follows one of three models. If available, a Company Specific Intensity Model based on emissions data previously reported by the particular company is used. If the company does not report, MSCI uses the Global Industry Classification Standard Sub-Industry Model, which is more generalized but is based on the MSCI emissions database. Lastly, for those companies that did not report data and whose GICS Sub-Industry was not represented in the data set, MSCI use an Economic Input-Output Life-Cycle Assessment Model, a generalized model based on Standard Industrial Classification (SIC) codes.

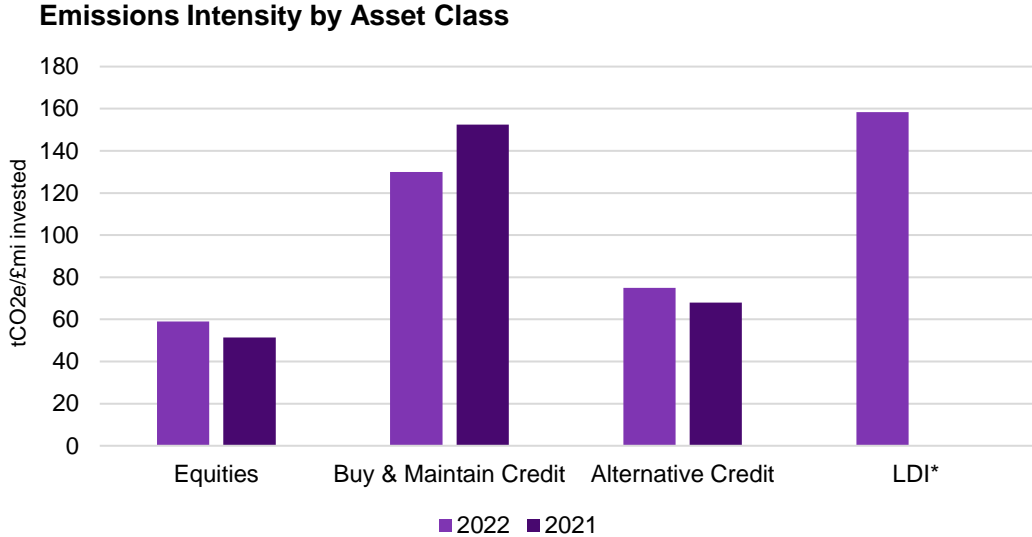
The exclusion of emissions from the LDI portfolio is based on guidance from the DWP and we expect this to remain a topic of discussion and evolve through time. This guidance is based on the inability of the Plan to influence the government’s agenda in the coming year. If we were to include the emissions of the LDI portfolio, the Plan’s total GHG emissions approximately 28,000 tCO2e higher, totalling 109,599 tCO2e.

- 2. **Emissions Intensity:** Carbon Footprint (Scope 1 & 2)

As at	31 December 2022	31 December 2021
Carbon Footprint*	55.2 tCO2e/£m	57.8 tCO2e/£m

*excludes emissions from the LDI portfolio

Intensity metrics define emissions data in relation to an appropriate “per unit” of measure. Carbon Footprint calculated as the total carbon emissions per £m invested (tCO2e/£m invested). This calculation provides a figure that can be compared with other investors and which will be monitored by the Trustee over time as part of our ‘Carbon Journey Plan’, which is set out earlier in this report.



*estimated LDI emissions intensity excluded from the total Carbon Footprint as recommended by DWP guidance.

3. Forward-looking Alignment: Percentage of the Plan aligned with approved Science-Based Targets

As at	31 December 2022	31 December 2021
% aligned with SBTs	19.2%	19.4%

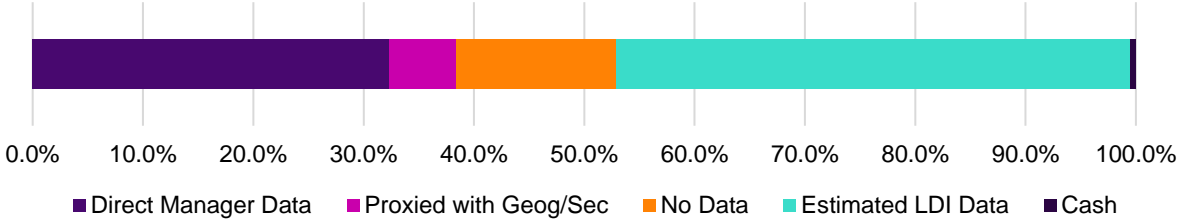
The previous metrics referenced are backward-looking metrics and do not reflect any of the respective companies’ ambitions to reduce their carbon emissions in the future. This metric is designed to assess the companies within the Plan’s portfolio with stated net zero targets that are validated by the Science-Based Targets initiative (“SBTi”). The Science-Based Targets Initiative is a partnership between the Carbon Disclosure Project, the UN Global Compact, World Resources Initiative and the World Wildlife Fund for Nature. The Initiative provides an external mechanism for companies to have their carbon reduction plans validated as being in line with an objective to limit global warming to 1.5 degrees. Over time, the Trustee expects an increasing proportion of the Plan’s investments to be aligned with this objective.

4. Other Climate Change Metric: Data Quality

The Trustee has endeavoured to provide data on 100% of the Plan’s DB assets. Given that both the absolute emission and emissions intensity metrics are limited by the availability of data, the Trustee has elected to provide more detail on the sources of the data used to compile this report.

The Trustee has used MSCI to provide much of the emissions data for individual companies held by the investment manager. To inform the allocation to individual companies, the Trustee was required to contact investment managers to source a complete list of companies held. Under this scenario, the Trustee then looked to reconcile identifiers within the portfolio with data provided by MSCI. In cases where identifiers could not be recognised, the Trustee scaled up the recognised holdings in a ‘pro-rata’ approach. Where the manager was unable to provide data, the Trustee proxied this data based on sector and geographical breakdowns and relevant benchmark data, which provided a guideline of the portfolio’s holdings used to estimate emissions from the MSCI dataset. As a result, c.32% of the portfolio’s holding were identified by MSCI and c.14% was calculated by approximating the unidentified holdings through those that were identified.

Data quality as at 31 December 2022



Future actions

As a result of the analysis above, the Trustee has taken and/or committed to taking the below actions:

1. Assessing the Plan’s stated metrics annually, as required by the regulation, and engaging with the reporting;
2. Considering the Plan’s stated investment strategy and objectives with a view to managing climate change risk through time; and
3. Engaging with the Plan’s investment managers and advisors as appropriate to drive conversation around climate change and best practice.

The Trustee believes that the activities undertaken over 2022/2023 were designed to further develop the Plan’s objectives and consider how best to achieve the Plan’s target. The Trustee will further investigate whether there any actions the Plan can take to better align the assets with net zero by 2050.

As reflected by the data quality metric and lack of Scope 3 emissions, there is considerable room for improvement in the reporting and calculation of these metrics. The Trustee, therefore, expects these metrics to evolve through time and will periodically review them to ensure ongoing appropriateness.

Appendix: Statement of Climate Governance

ConocoPhillips Pension Plan (the “Plan”) Trustee statement regarding the oversight of climate-related risks and opportunities

Under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”), ConocoPhillips Pension Plan Trustees Limited (the “Trustee”) as trustee of the Plan is required to establish and maintain oversight of the climate-related risks and opportunities that are relevant to the Plan. This statement has been prepared to set out the processes the Trustee has put in place to meet this requirement.

Overview

The Trustee recognises that climate change may have a material impact on the assets and liabilities of the Plan and the sponsor covenant. Alongside this statement, the Trustee formally documents its approach to the management of climate risk in the Plan’s Statement of Investment Principles and in the Trustee’s Risk Register, both of which are subject to regular reviews and updates. The Trustee will also publish its annual TCFD report following each scheme year end.

On an ongoing basis, in order to ensure that the risks and opportunities associated with climate change are appropriately understood and taken into account in decision-making, the Trustee has delegated detailed consideration of the subject to the Plan’s Investment Committee (“IC”) with support from external advisors and seeking input from the principal employer of the Plan, ConocoPhillips (U.K.) Holdings Limited, as well as from its US parent guarantors, ConocoPhillips Inc. and ConocoPhillips Company, where appropriate.

Roles and responsibilities

Trustee Chair

It is the Trustee Chair’s responsibility to ensure that sufficient time at Trustee Board and Committee meetings is allocated to the consideration and discussion of climate matters and that appropriate advice is provided at these meetings to permit decisions to be taken.

The Trustee Board

The Trustee Board is responsible for:

- Putting in place and documenting effective governance arrangements to ensure appropriate management of climate related risks and opportunities and compliance with the Regulations. This includes:
 - Ensuring committees have appropriate responsibilities to oversee this and that this is documented in their Terms of Reference.
 - Ensuring the Trustee Board has appropriate knowledge, expertise and resource to oversee and monitor activities undertaken on behalf of the Plan and that this is kept up to date.
 - Appointing and monitoring the advisors to the Board and the sub-committees and ensuring that they have the requisite knowledge and expertise.
 - Ensuring the Plan’s Statement of Investment Principles and Risk Register appropriately document the Trustee’s approach to managing climate-related risks within the Plan.

- Incorporating climate-related considerations into strategic decisions relating to the funding arrangements for the Plan.
- Allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer and related entities.
- Communicating with fund members and other stakeholders on climate change where appropriate, including as part of the statutory reporting prepared by the Trustee.

Investment Committee

The Investment Committee is responsible for:

- Undertaking the necessary steps and commissioning work from the Committee's advisors as required to ensure that the Trustee is able to meet its requirements under the Regulations. This includes:
 - Regularly reporting to the Trustee Board on the steps taken to comply with the Regulations and seeking input from the Trustee where required.
 - Identifying and assessing the main climate-related risks and opportunities for the Plan over the short-, medium- and long-term.
 - Undertaking climate change scenario analysis for the Plan and determining the frequency with which this analysis should be refreshed.
 - Making recommendations to the Trustee Board on the appropriate climate-related metrics to monitor within the Plan and compiling the necessary data to produce the agreed metrics.
 - Making a recommendation to the Trustee Board on an appropriate climate-related target to set for the Plan and monitoring progress relative to this target over time.
 - Producing the annual TCFD report for the Plan for consideration and sign-off by the Trustee Board.
- Undertaking an annual review of the approaches taken by the Plan's investment managers to incorporate responsible investment considerations, including climate change, into the management of the Plan's assets.

Actuarial advisor

The actuarial advisor is responsible for:

- Advising how climate related risks and opportunities might affect the Plan's funding position over the short-, medium- and long-term, principally through the input provided to the scenarios used for the climate change scenario analysis.
- Working with the Trustee's other advisors to incorporate climate change considerations into the overall strategic and funding advice provided to the Trustee.

Investment advisor

The investment advisor is responsible for:

- Incorporating climate change considerations into the investment advice provided to the Investment Committee and Trustee.
- Supporting the Trustee in ensuring an appropriate governance structure for the management of climate-related risks and opportunities, including undertaking regular reviews of the Plan's Statement of Investment Principles and Risk Register and the proposal of updates to these, where considered appropriate.
- Supporting the Investment Committee in its compliance with the Regulations, including providing advice on:
 - Climate change scenario analysis for the Plan, including appropriate short-, medium- and long-term time horizons over which to assess risk.

- Appropriate metrics to adopt for monitoring climate-related risks and opportunities within the Plan.
- An appropriate target to set for the Plan.
- Drafting a TCFD compliant report for consideration by the Investment Committee.
- Providing training to the Investment Committee and Trustee Board on climate-related regulatory changes and other relevant climate-related matters.
- Supporting the Trustee Board in formulating its climate-related investment beliefs, documenting these and ensuring they are factored into the investment advice provided.
- Assessing the capabilities of the Plan's investment managers with regard to climate-related matters and advising the Investment Committee appropriately.
- Where required, engaging with the Plan's investment managers on the Investment Committee's behalf to communicate Trustee priorities and to improve the approach of the investment managers to the integration of climate change related considerations.

Covenant advisor

The covenant advisor is responsible for:

- Considering how climate-related risks and opportunities might affect the Plan's covenant over the short-, medium- and long-term.
- Leading on the inclusion of climate change in the Plan's covenant monitoring, working with the Trustee and its other advisers as appropriate.
- Providing covenant input to the climate change scenario analysis undertaken by the Trustee.
- Providing training and other updates to the Trustee on relevant climate-related covenant matters.
- Working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its risk register, contingency planning and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Legal advisor

The legal advisor will provide assistance, when required, with:

- Providing training and other updates to the Trustee on relevant climate-related legal and regulatory matters.
- Ensuring the Trustee and its sub-committees are aware of their statutory and legal duties in relation to climate change.
- Where required, assisting the Trustee with documenting its approach to the management of climate related risks and opportunities in Plan documentation.

Investment managers

The Plan's investment managers are responsible for:

- Identifying, assessing and managing climate-related risks and opportunities in relation to the Plan's investments, in line with the Trustee's legal agreements with the managers.
- Exercising rights attaching to the Plan's investments and undertaking engagement activities with investee companies in a manner expected to improve long-term financial outcomes for the Plan's members.
- Reporting on stewardship activities and outcomes in relation to the Plan's investments.

Review of this statement

This statement will be reviewed on an annual basis.