

The ConocoPhillips Pension Plan

Implementation Statement

**For year ending
31 March 2023**

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Section 1: Introduction

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the ConocoPhillips Pension Plan (the “Plan”) covering the “Plan Year” from 1 April 2022 to 31 March 2023.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Plan’s Statement of Investment Principles (“SIP”), required under section 35 of the Pensions Act 1995, has been followed during the year;
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the Plan Year as a result of a review;
- describe the voting behaviour on behalf of the Trustee over the year.

The Plan makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. The Trustee confirms that the investments that the Plan holds were chosen in line with the requirements of s36 of the Pensions Act 1995.

A copy of this Statement is made available on the following website:

<https://www.conocophillips.co.uk/pensions-updates/>

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Plan Year, with two relevant versions over the year:

1. August 2021 - this was the version in place as at the start of the Plan Year
2. December 2022 – material changes include:
 - **Appendix B** was updated to reflect the newly agreed de-risking triggers at the beginning of the year, in light of the Plan’s actuarial valuation.
 - **Appendix C** was edited for the termination of the Plan’s property manager.

The December 2022 SIP is the version referenced in the following Sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Plan Year, we have referenced how these have been implemented from the time of adoption to the end of the Plan Year.

For the purpose of assessing how the Plan’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in December 2022. All elements that were included in the previously agreed SIP (dated August 2021) remained in the December 2022 SIP.

Section 3: Adherence to the SIP

The SIP comprises the following sections:

- Section 1: Choosing investments
- Section 2: Investment objectives
- Section 3: Risk management
- Section 4: Additional Voluntary Contributions ('AVCs')

Section 1: Choosing investments

Paragraph	SIP Policy	Approach and actions taken over the Plan Year
1-4	Statements of fact setting out the regulations the Trustee must comply with when setting investment strategy and the process for making such decisions.	n/a
5	The Plan uses different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement. The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.	Following the 2021 actuarial valuation, the Trustee reviewed in detail the investment strategy of the Plan in 2021 to ensure that it remains consistent with its objectives and the policies set out in the SIP. The Trustee considered this strategy and deemed that it remained appropriate over 2022, undertaking rebalancing activity over the course of the year where appropriate to re-align the portfolio with the strategy.
6	Statement of fact regarding the fees paid to the Plan's managers.	n/a
7	The Trustee reviews the costs incurred in managing the Plan's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.	<p>The Trustee reviewed all investment manager fees over the Plan Year as part of the reporting received from the Investment Consultant as part of the MiFID II requirements. The Trustee engages on fees and, where appropriate, renegotiates fees where appropriate.</p> <p>During the Plan Year, the Investment Committee has considered portfolio turnover data provided by each of the Plan's investment managers.</p> <p>The Charges paid within the Standard Life AVC arrangement were reviewed in 2021 and resulted in a material reduction in terms across the fund range.</p>
8	Statement of fact regarding the approach the Trustee takes to monitoring managers' performance.	n/a
9	Statement of fact regarding the approach to investment to be taken by the Plan's investment managers.	n/a

<p>10</p>	<p>To maintain alignment with the SIP, investment managers are provided with the relevant sections of the most recent version of the Plan’s Statement of Investment Principles, on at least an annual basis and are required to confirm that the management of the assets is consistent with those policies.</p>	<p>Following the end of the Plan Year, all investment managers have been provided with a copy of the Plan’s SIP and have confirmed receipt. The responses provided by the managers on alignment have been reviewed by the Investment Committee.</p>
<p>11</p>	<p>In the event that the Trustee’s monitoring process reveals that a manager’s portfolio is not aligned with the Trustee’s policies, the Trustee will engage with the investment manager to determine how closer alignment can be achieved. If, following engagement, the Trustee concludes that the degree of alignment remains unsatisfactory, the investment manager may be terminated and replaced.</p>	<p>The Trustee monitors developments at each investment manager, alongside the performance of the mandates, at its quarterly meetings through reporting provided by the Investment Consultant. In the event of a significant change at an investment manager, the Investment Consultant will provide an update to the Trustee outside of the regular meetings to allow more rapid action to be taken.</p> <p>In relation to the policies of the Plan’s investment managers on ESG, the Trustee receives reporting from the Plan’s Investment Consultant on an annual basis, setting out in detail the approaches of each investment manager and how these have been implemented over the previous year. Following review of the annual report prepared by the Plan’s Investment Consultant in September 2022, the Trustee has agreed that no changes are required to the Plan’s investment managers at the current time.</p> <p>The Trustee invited BlackRock to attend the Q3 2022 Investment Committee meeting and Oak Hill Advisors to attend the Q1 2023 Investment Committee meeting to discuss their ESG policies further.</p>
<p>12</p>	<p>The Trustee has a policy not to invest directly in securities issued by the Principal Employer or its subsidiaries or associated companies and to ensure that investment in such securities in aggregate across all investments does not constitute more than five percent (5%) of the Plan’s assets.</p>	<p>As at the close of the Plan Year, the Plan’s investment managers have confirmed that Employer Related Investments are excluded from all credit investments and that any equity investments in the Principal Employer are materially below the five percent threshold.</p>

<p>13</p>	<p>The Trustee takes account of all financially material risks and opportunities, including capital structure of investee companies and ESG impact of underlying holdings, in consultation with its advisers. All risks and opportunities are considered for materiality and impact within an integrated risk management framework, which takes account of the Plan's journey plan and funding time horizon. The Trustee's time horizon reflects the time horizon of the Sponsor's business and the Plan's maturing liability profile. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.</p>	<p>In determining an overall strategy for the Plan, the Trustee set a target level of return and time horizon for achieving this, taking into account the level of investment risk, contributions and outlook for the Sponsor covenant. The Trustee remains comfortable that the previously agreed strategy remains effective for achieving their objective.</p> <p>The Trustee receives regular reporting from the Plan's Buy & Maintain manager, setting out the portfolio ESG rating assigned by MSCI, the portfolio's weighted average carbon emissions intensity, and the portfolio ESG coverage relative to the benchmark.</p> <p>The Trustee undertook a number of exercises reviewing the ESG qualities of their portfolio as required by the Task Force for Climate Related Financial Disclosures. These exercises including the second review of the carbon output of the portfolio, as well as climate scenario analysis. The Plan's first TCFD compliant report is due to be published by 31 October 2023.</p>
<p>14</p>	<p>The Trustee's policy is that day-to-day decisions relating to the investment of Plan assets is left to the discretion of its investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed.</p>	<p>On an annual basis, the Trustee receives reporting from the Plan's Investment Consultant setting out in detail the approaches of each investment manager to Sustainable Investment and how these have been implemented over the previous year. Following a review of this report, the Trustee considered whether any matters highlighted should be raised with the Plan's investment managers and agreed that no action was required at that time.</p>
<p>15</p>	<p>When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its Investment Consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.</p>	<p>On an annual basis, the Trustee receives reporting from the Plan's Investment Consultant setting out in detail the approaches of each investment manager to Sustainable Investment and how these have been implemented over the previous year. Following a review of this report in September 2022, the Trustee considers whether any matters highlighted should be raised with the Plan's investment managers and agreed that no action was required at that time.</p>
<p>16</p>	<p>Statement of fact relating to the Trustee's expectations for the Plan's investment managers.</p>	<p>n/a</p>

Section 2: Investment objectives

Paragraph	SIP Policy	Approach and actions taken over the Plan Year
1-3	Statements of fact setting out the Trustee's investment objectives for the Plan.	n/a
4-7	Statements of fact regarding the investment strategy for the Plan and the expected return on the Plan's assets.	n/a
8	Statement of fact regarding the de-risking triggers set for the Plan.	n/a

Section 3: Risk management

Paragraph	SIP Policy	Approach and actions taken over the Plan Year
1-9	Statements of fact setting out the key risks identified by the Trustee for the Plan and how these are measured and managed.	n/a
10-11	Statements of fact regarding the key risks identified by the Trustee in relation to the AVC fund options.	n/a
12	Statement of fact setting out the Trustee's policy regarding the use of risk reduction strategies.	n/a
13-15	Statements of fact regarding the guidelines given to investment managers of the Plan.	n/a
16	The Trustee employs a number of investment managers and uses a range of pooled funds with specialist investment objectives. The combined effect of these arrangements on the overall asset allocation of the Plan is monitored regularly by the Investment Consultant and reviewed with the IC and/or Trustee where appropriate.	<p>The Trustee remains comfortable that the investment strategy is appropriate to achieve its investment objectives and that the funds they employ are suitable for fulfilling their objectives. Following the volatility experienced in gilt markets over September and October, the Trustee reviewed the agreements with the LDI manager and updated them as appropriate.</p> <p>The Trustee monitors developments at each investment manager, alongside the performance of the mandates, at its quarterly meetings through reporting provided by the Investment Consultant. In the event of a significant change at an investment manager, the Investment Consultant will provide an update to the Trustee outside of the regular meetings to allow more rapid action to be taken.</p>
17	Paragraph 17 is a statement of fact regarding the approach to the realisation of investments.	n/a

18	<p>A set of measurable performance objectives has been developed for the investment managers and pooled funds. Performance in each asset category is compared with a suitable benchmark and an out-performance objective where applicable. The investment managers are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the levels of risks adopted. Investment performance is considered regularly by the Investment Consultant and assessed by the Trustee at least annually.</p>	<p>Where appropriate, the Trustee has selected benchmarks against which to assess each investment manager. Performance is monitored over a quarterly and certain longer timeframes, with an emphasis on assessing outcomes over long-term time horizons.</p> <p>Where an appropriate benchmark does not exist for a particular mandate, the Trustee will adopt alternative metrics for assessing a manager's performance.</p>
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Section 4: AVCs

Paragraph	SIP Policy	Approach and actions taken over the Plan Year
1	Statement of fact regarding the AVC arrangements offered by the Plan.	n/a
2	The suitability and appropriateness of these funds is reviewed by the Trustee periodically but not less frequently than annually.	<p>The Investment Committee reviews the range of AVC funds offered to members on an annual basis, considering the value of assets invested in the AVC funds, their performance and their fees. This was undertaken during Q2 2022.</p> <p>A strategic review of the AVC fund range is planned following the conclusion of the project to convert the remaining DC (non-AVC) funds.</p>
3	Statement of fact regarding the transfer of AVC assets from Equitable Life to Utmost.	n/a
4	Statement of fact regarding DC investment risks.	n/a
5	Statement of fact regarding references to pooled funds.	n/a

Section 4: Voting and engagement

In keeping with its policy stated in the SIP, the Trustee has delegated to the Plan’s investment managers the responsibility for exercising ownership rights attaching to investments and relating to day-to-day considerations affecting sustainable investment (including environment, social and governance factors) and stewardship activities (including voting and engagement). The Trustee has not set any specific guidelines around manager voting.

The Plan’s investment funds cover a range of asset classes. At the Plan Year end date, the only assets with voting rights associated are equity funds of which BlackRock is the sole investment manager. Those within DB are passively managed. Within the AVC arrangements and given the number of AVC fund options available, only the voting data related to the core fund range and those which hold the largest amount of AVC funds are shown.

BlackRock provided a list of votes they deemed significant in line with the following policy:

“BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.”

BlackRock’s detailed voting and engagement policy can be found at the following link: <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>. The Trustee has considered the overall approach of the manager to voting and engagement and considers that it represents good stewardship practice and is therefore in the best overall financial interests of members.

Following the request for data, BlackRock made the Plan aware that they did not receive proxy ballots for US issuers from their custodian for the Aquila Life MSCI World Fund. As such, the Plan has elected to display two sets of data with regard to this voting activity, one excluding the unreceived ballots from the statistics and one including this data as votes not cast. The significant votes chosen remain applicable in both datasets.

Plan section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DB	BlackRock Aquila Life MSCI World Fund	Pooled equity fund	<p>Excluding US votes</p> <p>Eligible resolutions: 14,092</p> <p>Number of votes cast: 12,440</p> <p>Percentage of eligible votes cast: 88%</p> <p>Percentage of votes with management: 93%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 1%</p> <p>Including US votes</p> <p>Eligible resolutions: 21,318</p>	<p>Company: Rio Tinto Group</p> <p>Resolution: Approve Climate Action Plan</p> <p>Decision: FOR</p> <p>Rationale: The group’s climate action plan, targets and disclosures are consistent with what BlackRock look for and they believe demonstrates management and board responsiveness to shareholder feedback.</p> <p>Rationale for Significance: Stewardship priorities – this action plan aligns the company with the Plan’s objective of Net Zero by 2050.</p> <p>Company: Equinor ASA</p>	<p>BlackRock’s proxy voting process is led by the BlackRock Investment Stewardship team (BIS). The analysts with each team will generally determine how to vote at the meetings of the companies they cover.</p> <p>BlackRock do not follow any single proxy research firm’s voting recommendations and in most markets, they subscribe to two research providers and use several other inputs, including a company’s own disclosures, in their voting and engagement analysis</p> <p>BlackRock also work with proxy research firms, which apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and</p>

			<p>Number of votes cast: 12,440</p> <p>Percentage of eligible votes cast: 58%</p> <p>Percentage of votes with management: 93%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 1%</p>	<p>Resolution: Action Plan for Quality Assurance and Anti-Corruption</p> <p>Decision: FOR</p> <p>Rationale: BlackRock supported the proposal as, in their view, these are material issues for the company and they see potential for improvement. The issues of health and safety and bribery and corruption are material risks for the company. Blackrock believes their performance could be enhanced in some areas, including reducing the frequency of personnel injuries.</p> <p>Rationale for Significance: Stewardship priorities – the Trustee has expressed a desire to uphold the UNGC principles, which they believe this vote to reflect, specifically, in regards to corruption.</p>	<p>possibly engagement might be required to inform our voting decision. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial.</p> <p>The proxy voting operating environment is complex and BlackRock work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.</p>
AVC	BlackRock Managed (50:50) Global Equity Pension Fund	Pooled equity fund	<p>Number of votes cast: 24,012</p> <p>Percentage of eligible votes cast: 91%</p> <p>Percentage of votes with management: 92%</p> <p>Percentage of votes against management: 7%</p> <p>Percentage of votes abstained from: 0%</p>	<p>Company: Rio Tinto Group</p> <p>Resolution: Approve Climate Action Plan</p> <p>Decision: FOR</p> <p>Rationale: As above</p> <p>Rationale: As above</p>	Please refer to above.
AVC	BlackRock ACS World ex-UK Equity Pension Fund	Pooled equity fund	<p>Number of votes cast: 23,980</p> <p>Percentage of eligible votes cast: 95%</p> <p>Percentage of votes with management: 93%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 0%</p>	<p>Company: Equinor ASA</p> <p>Resolution: Action Plan for Quality Assurance and Anti-Corruption</p> <p>Decision: FOR</p> <p>Rationale: As above</p> <p>Rationale: As Above</p>	Please refer above.

AVC	BlackRock iShares UK Equity Index Pension Fund	Pooled equity fund	Number of votes cast: 14,500 Percentage of eligible votes cast: 96% Percentage of votes with management: 94% Percentage of votes against management: 5% Percentage of votes abstained from: 1%	Company: Equinor ASA Resolution: Action Plan for Quality Assurance and Anti- Corruption Decision: FOR Rationale: As above Rationale: As Above	Please refer above.
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Section 5: Summary and conclusions

Overall, the Trustee believes the policies outlined in the SIP have been followed during the Plan Year.