Schroders

Equinor UK Limited Employees Benefits Plan

Statement of Investment Principles

January 2024

Introduction

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 (as amended) for the Equinor UK Limited Employees Benefits Plan ("the Plan"). It describes the investment policy being pursued by the Trustees of the Plan ("the Trustees") and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners' Principles") and the Pensions Regulator's Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations2018.

The Plan Actuary is Matthew Plail of XPS Pensions Group ("XPS"), and the Investment Adviser is Schroder Solutions (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with the Principal Employer ("the Employer") and the Plan Actuary and obtained and considered written advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the investments of arrangements such as the Plan.

The Trustees are responsible for the investment of the Plan's assets and arranges administration of the Plan. Where it is required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ("FSMA"), the Trustees set general investment policy, but have delegated the day-to-day investment of the Plan's assets to professional Investment Managers. The Investment Managers are authorised under FSMA and provide the expertise necessary to manage the investments of the Plan competently.

Plan Governance

The Trustees are responsible for the governance and investment of the Plan assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Plan, as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate.

The Trustees believe that they should be collectively involved in the investment decision-making function; for the purposes of execution, however, a subset comprising any three trustees (including one member-nominated trustee) will convene from time to time to implement investment decisions.

The Trustees will consult in writing with the Principal Employer with regards any changes to the investment arrangements. The Trustees will give the Principal Employer 10 business day's written notice of any proposed changes but will use its best endeavours to give warning prior to this notice. If the Trustees don't receive any written objections to the proposed changes then the Trustees will proceed to implement as notified.

Suitability

The Trustees have taken advice from the Advisers to ensure that the asset allocation strategy is suitable for the Plan, given its liability profile and the other considerations for the Plan, such as legal requirements and other requirements specified in the Trust Deed.

Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments and the investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any Statutory Funding Requirement. The funding position is reviewed periodically by the Plan Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with any Statutory Funding Requirement.

Investment Objectives

The overall objective of the Plan is to meet the benefit payments promised as they fall due. In order to achieve this, in May 2023, the Trustees agreed a low-risk investment strategy comprising of a Plan buy-in with a UK insurer. Under the terms of the contract, the buy-in provider is committed to paying the retirement benefits due to all members and their dependents.

Given the Trustees no longer require investment returns in order to meet its outstanding liabilities, the Trustees' objective is no longer framed with reference to a liability-related objective.

Liquidity

The majority of the Plan's assets are held in a buy-in policy which cannot be realised. However, the buy in policy has been designed with reference to the Plan's liabilities and will distribute cash to meet member benefit payments. The remaining assets are invested in short dated gilts that are sufficiently liquid to be realised easily if the Trustees so require.

Custody

The Trustees have arranged for custody of their assets via their Investment Managers. The Trustees will monitor the relationship with the custodians regularly, with the help of the Advisers.

Derivatives

The Trustees may enter into contracts with counterparties, including investment banks, in order to execute in derivative transactions. The Trustees will take advice on the suitability of the contracts and have delegated responsibility to the relevant investment managers to implement these instruments on its behalf. Derivative instruments are typically used for risk management purposes in the portfolio. From time to time the Trustees may mandate a manager, including transition managers, to affect short term derivative mandates to reduce risk in the portfolio, as part of efficient portfolio management or to aid a transition process. The Trustees will take suitable advice as part of the decision and implementation process, but owing to the potentially market sensitive nature of such transactions may not detail these, or the specifics of the short term manager mandates within this SIP.

Corporate Governance and Stewardship

The Trustees and the investment managers have agreed, and will maintain, formal Manager Agreements and fund documentation setting out the scope of each Investment Manager's activities, its charging basis and other relevant matters. The investment managers with whom the Trustees have a Manager Agreement have been provided with a copy of this SIP and are required to exercise their powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

As part of the appointment of the investment managers to the Plan, the Trustees have entered formal manager agreements and accepted the terms of pooled investment vehicles, setting out the scope of each investment manager's and pooled investment vehicle's activities, their charging basis and other relevant matters. The appointment of the investment managers is ongoing. The Trustees periodically review the overall value-for-money of using the Investment Adviser (as specified in the Plan's Investment Consulting objectives) and investment managers.

The majority of the Plan's assets comprise an insurance asset provided by the buy-in provider. The Trustees have very limited influence on the insurer's approach to corporate governance and stewardship. The remainder maybe invested in short-dated gilts, cash, or funds thereof. These investments give little scope for corporate governance and stewardship.

Inasmuch as the Plan's investments are made via pooled investment funds, in which the Plan's investments are pooled with those of other investors, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to the investment managers. The Trustees are aware of the policy of the investment managers concerned regarding corporate governance and have delegated the responsibility for activity in this area to the investment managers. The Trustees ask for voting actions to be reported to them on an annual basis so they can be formally reviewed.

The Trustees and Investment Adviser undertake regular reviews of the investment managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance). The Investment Adviser and Trustees review the governance structures of the investment managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Trustees and Investment Adviser assess whether the investment manager remuneration arrangements are aligned with the Trustees' objectives. The Trustees expect the investment managers:

- to align its investment strategy and decisions with the Trustees' investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement or pooled fund investment documentation, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of an issuers of debt or equity, and to engage with the issuers to improve this medium- to long -term performance. The success of such engagement will contribute to the Plan's performance, which are reflected and measured relative to the Trustees' long-term performance objectives.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing investment management business activities. Where investment managers are regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Trustees and Investment Adviser monitor this as part of ongoing review. As an FCA regulated firm, the Investment Adviser is required to prevent or manage conflicts of interest. The Investment Adviser's Conflict of Interest policy is available publicly here:
https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/

The Trustees oversee the turnover costs (where available) incurred by the investment managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Adviser's expectations. Where there are material deviations the Trustees engage with investment managers to understand the rationale for such deviations and take appropriate action.

Non-financial matters

The Trustees do not at present take into account non-financial matters factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations.

That said, the Trustees understand that environmental, social and governance ("ESG") matters are important to the members, and for this reason – as well as because it was a financially material transaction – the Trustees took advice on ESG implications in relation to the Plan buy-in decision.

The Trustees are seeking to maximise overall investment returns subject to an acceptable level of risk. When selecting and monitoring an investment the Trustees will take into account financially material factors. These are factors that can affect the long-term financial performance of investments and can include (but are not limited to) social, environmental and ethical factors.

Strategy implementation

In order to meet the Plan objective, the Trustees agreed for a Plan buy-in transaction with a UK insurer in May 2023. Under the terms of the contract, the buy-in provider is committed to paying the retirement benefits due to all members and their dependents.

The remaining assets are invested in short-dated gilts, cash and funds thereof.

Mandates and Performance Objectives

The Trustees receive advice on the appropriateness of each Investment Manager's targets and benchmarks from the Advisers and believe them to be suitable to implement the Plan's investment principles. Each Investment Manager is mandated by the Trustees to manage the investments in a particular way.

Monitoring

The Trustees will monitor the performance of the Investment Managers against the agreed performance objectives.

On behalf of the Plan, Schroders Solutions will regularly review and meet with each investment manager to ensure that they are carrying out their work competently. The Trustees will review the activities of the Investment Managers on a quarterly basis (and meet with each of them when appropriate) to satisfy themselves that each Investment Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of the Plan.

As part of this review, the Trustees will consider whether or not each Investment Manager:

Is carrying out its function competently.

Has regard to the need for diversification of investments.

Has regard to the suitability of each investment and each category of investment.

Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, they will remove the Investment Manager and appoint another.

The Trustees will monitor the performance and the value of advice given by the Advisers on a regular basis.

The Trustees will review the appropriateness of the Plan's investment strategy during the first quarter of each calendar year.

The Trustees will review this SIP triennially and modify it if deemed appropriate, in consultation with the Advisers. There will be no obligation to change this SIP or any Investment Manager or Adviser as part of such a review.

Risks

The Trustees recognise a number of risks involved in the investment of assets of the Plan. These risks, and how they are measured and managed, include:

i. Funding and asset/liability mismatch risk – the risk that the funding level or the ability to buy-out the Plan's liabilities is adversely affected due to a mismatch between the assets and liabilities. This risk is mitigated by:

- Implementing a full buy-in of the Plan's liabilities ahead of buy-out.

- Retaining assets, in the form of short dated gilts, in excess of the buy-in policy and the Trustee bank account to preserve the capital value of the surplus ahead of buy-out.

ii. Cash flow risk –This is covered by the insurance asset held by the Plan.

iii. Sponsor risk – the risk of the Employer ceasing to exist covered by the insurance asset held by the Plan. In addition, the sponsor risk is mitigated by the funding surplus which could be used to pay running expenses and indemnity insurance if the Employer is insolvent.

iv. Insurer default/credit risk – the risk of a default by the buy-in providers. The Trustees and its risk settlement advisors considered the strength of the insurers before entering into the policies whilst considering the wider regulatory framework within which they are required to operate.

The Trustees will keep these risks and how they are measured and managed under regular review and have put in place a training schedule which will, in part, assist with this process.

Additional Voluntary Contributions (AVCs)

The Plan holds AVCs for members which are used to provide additional benefits at retirement. The default is for these benefits to be transferred into individual member policies with an insurer at the point the Plan is bought out rather than continuing to be the responsibility of the Plan Trustees. The Trustees may review these arrangements having regard to their performance and objectives prior to the buy-out if this is considered appropriate in the timeframe available.

Declaration

The Trustees confirm that this SIP reflects the Investment Strategy they have implemented for the Plan. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Plan are invested in accordance with these Principles.

Signed:…………………………………………………. **Date:……………………………**

Signed:…………………………………………………. **Date:……………………………**

For and on behalf of the Trustees of the Equinor UK Limited Employees Benefits Plan.