

IMPLEMENTATION STATEMENT

Introduction

The Trustees are required to make publicly available online a statement ("the Implementation Statement") covering the Equinor UK Limited Employees Benefits Plan (the 'Plan') in relation to the Plan's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 30 June 2022, and the changes made were to reduce the risk within the Plan portfolio by decreasing Growth Assets from 60% to 50% and increasing Liability Hedging Assets from 40% to 50%. Additionally, the amendment reflects the liability hedge is designed to mitigate at least 80% of the interest rate and inflation risk inherent in the Plan's liabilities, on an insurance solution basis provided by the Plan Actuary.

This SIP came into force from 8 December 2021.

A copy of the current SIP signed and dated 8 December 2021 can be found here [equinor-uk-sip-november2021](#).

This Implementation Statement covers the Plan year from *1 July 2021 to 30 June 2022* (the "Plan Year"). It sets out:

- How the Trustees' policies on exercising voting rights and engagement have been followed over the Plan Year; and
- The voting by or on behalf of the Trustees during the Plan Year, including the most significant votes cast and any use of a proxy voter during the Plan Year.

The Trustees are responsible for the investment of the Plan assets. Where it is required to make an investment decision, the Trustees always receive advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustees also set the investment strategy and general investment policy but have delegated the day-to-day investment of the Plan's assets, within pre-defined constraints to professional Investment Managers. The Trustees, with advice from their advisers, appoint and monitor the Plan's Investment Managers.

A copy of this Implementation Statement is available on the following website: <https://www.equinor.com/where-we-are/united-kingdom>

How the Trustees' policies on exercising voting rights and engagements have been followed over the Plan Year

The Trustees made no changes to the voting and engagement policies contained in the SIP during the year other than those noted above but keep this under review in future years.

The Plan's SIP sets out the Trustees' policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Plan invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Plan's investments are pooled with 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 those underlying Investment Managers.

The Trustees continue to believe it is appropriate to delegate voting and engagements decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustees, the Trustees are satisfied that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). However, the Trustees acknowledge that they remain responsible for the voting and engagement policies of their underlying managers (as set out in the Appendix) and routinely monitor their voting and engagement activity.

IMPLEMENTATION STATEMENT (continued)

How the Trustees' policies on exercising voting rights and engagements have been followed over the Plan Year (continued)

During the Plan year the Trustees have carried out the following activity in relation to these policies:

- On behalf of the Trustees, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustees' investment adviser with any important updates communicated to the Trustees over the Plan Year.
- The Trustees, with the help of their investment adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustees meetings during the Plan Year.
- The Trustees reviewed the regulatory developments with regards to ESG and climate change disclosures.
- The Trustees have reviewed the voting and engagement activity carried out by their Investment Managers during the Plan Year; a summary is provided in the next section.
- The Trustees received training on how ESG factors have been factored into the Plan's investment strategy and learning about climate change and the risk and opportunities that comes with it for the Plan.
- As a result of the Russia-Ukraine war, the Trustees reviewed exposures to these regions and agreed that any exposures should be kept to a minimum.

The Trustees have set out in the appendix a set of engagement examples which are in line with the Trustees' engagement priorities over the Plan Year.

The Plan's Investment Advisor was acquired by Schroders Group to form Schroders Solutions from 1 February 2022. Both Investment Advisor and Schroders Group have their specific engagement themes/priorities over the Plan Year. However, going forward, the Investment Advisor's engagement priorities will be aligned with the broader Schroders Group's priorities. Schroders Group has a long history of engagement and active ownership, dated back to 1998 where the global asset manager appointed its first governance resource and since then have recorded & monitored ESG engagement spanning more than 20 years.

The Trustees have aligned their stewardship priorities with their Investment Adviser's engagement themes over the Plan Year set out above, as the Trustees believe these engagement themes/priorities are issues which are considered to be material to the long-term value of the investments and hence are in the members' best interests.

Following activity during the Plan Year and by preparing this Implementation Statement, the Trustees believe that they have acted in accordance with the Statement of Investment Principles over the Plan Year.

IMPLEMENTATION STATEMENT (continued)

Voting and Engagement Summary

This statement includes information on the underlying investment managers investing in securities. Where proxy voting agents have been used, this has been included in the voting information.

Summary of voting activity – Legal & General Investment Management (30 June 2022)

	LGIM All World Equity Index Fund
Asset allocation	4.3%
Voting Stats	
Total meetings eligible to vote	6,641
Total resolutions eligible to vote	66,610
% of resolutions did you vote on for which you were eligible?	100%
% did vote with management?	79%
% vote against management?	20%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	11%

Source: All data in this section has been provided by the investment managers. Voting statistics provided on the Plan's equity holdings by the outright equity manager.

Note:

- LGIM use Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Plan holds.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

Trustees' conclusions on voting and engagement

The Trustees have considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Plan Year within the growth asset portfolio, and the liability hedging portfolio and is pleased to report that the Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted that:

- The Plan's equity manager, LGIM, demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Investment manager showed they carried out a good level of engagement activities over the Plan Year.
- Challenge to management was demonstrated through a high proportion of votes against management (20%).
- For the Plan, the general themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- LGIM, who manage the Plan's equity mandate, have shown market leading capabilities in their ability to engage with underlying companies. They have significant in-house capacity and have in place a

IMPLEMENTATION STATEMENT (continued)

Trustees' conclusions on voting and engagement (continued)

- custom voting policy encompassing their own views rather than deferring decisions solely to their proxy adviser.
- LGIM's Investment Stewardship makes voting decisions and LGIM do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. LGIM appear to have voted against the recommendations from its proxy adviser throughout the Plan Year.
- Most significant votes provided were in relation to consumer discretionary and financial sectors and votes on the re-election of board members were most common. An example of a significant vote undertaken by LGIM would be their vote to support a management led resolution to conduct a third-party civil rights audit. LGIM consider diversity and inclusion issues to be a material risk to companies and therefore support proposals to improve company outcomes in this area. LGIM continue to engage with their investee companies and publicly advocate their position on these issues.
- For the broad bond mandate, an example of the Plan's manager PIMCO's engagement was with a large natural gas producer in the United States. The company is actively working on methane emissions tracking and reduction and committed to The Oil & Gas Methane Partnership 2.0, a multi-stakeholder initiative launched by the UN Environment Programme. PIMCO engaged with the company regarding measurement-based methane reduction targets and disclosure. They also encouraged them to use direct measurements for methane emissions reporting and target setting and to adopt an absolute emissions target in addition to their intensity-based target alone. In early 2022, the company became the largest producer of responsibly sourced natural gas (RSG), a distinction set by Equitable Origin, the world's first independent environmental standards system.
- In relation to the liability hedging and structured equity mandates, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. The Plan has invested in Green Gilts.

The Trustees are satisfied that the voting and engagement activity undertaken by the Investment Managers are in line with the Trustees' policies contained in the SIP and that no changes are required to these policies at this time. The Trustees will keep the position under review.

IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Examples of most significant votes and engagement carried out by the underlying managers

Engagement priorities	Examples
Climate change: carbon emissions and footprint of our funds	BP plc; EQT Corporation
Human capital: employee engagement and satisfaction	Apple Inc.
Corporate governance: board composition, executive pay and compensation	Abbott Laboratories

Legal & General Investment Management

LGIM's Investment Stewardship team uses Institutional Shareholder Services' "ProxyExchange" electronic voting platform to electronically vote client's shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

BP plc:

LGIM voted in line with management for a high profile resolution 3 to approve a Net Zero from ambition to action report.

- The rationale of the voting decision was:
 - While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C.
 - LGIM have the view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.
 - LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
- About 89% of shareholders supported resolution 3.
- LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Examples of most significant votes and engagement carried out by the underlying managers (continued)

Abbott Laboratories:

LGIM voted in favour of shareholder resolution 7 requiring an independent Board Chair (management recommendation: against)

- The rationale of the voting decision was:
 - LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.
 - Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles.
 - LGIM have also published a guide for boards on the separation of the roles of chair and CEO, and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.
- Around 34% of shareholders supported the resolution.
- LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Apple Inc:

LGIM voted in favour for a resolution 9 for the company to conduct a third-party civil rights audit.

- The rationale for the voting decision was:
 - Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.
 - LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
- About 54% of shareholders voted in favour of the resolution.
- This vote was considered to be significant as LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

PIMCO

PIMCO aims to engage intensively with the issuers in the portfolio to help influence ESG policies and drive more sustainable business practices. At a firm level, PIMCO's team of over 75 credit analysts conduct more than 5,000 meetings and calls with company management teams on an annual basis. PIMCO Credit research analyst engage regularly with the companies they cover, making concrete suggestions to company management teams related to corporate strategy, leverage, and balance sheet management, as well as ESG related topics such as climate change targets and environmental plans, human capital management, and board qualifications and composition.

In 2021, PIMCO engaged with 1,585 issuers of securities held in or considered for its ESG-dedicated portfolios. The largest number of engagement activities focused on delivery on environmental risks and ESG labelled bond frameworks.

IMPLEMENTATION STATEMENT (continued)

Appendix 1 – Examples of most significant votes and engagement carried out by the underlying managers (continued)

EQT Corporation

Background:

- The largest natural gas producer in the United States, EQT is actively working on methane emissions tracking and reduction.
- EQT committed to The Oil & Gas Methane Partnership 2.0, a multi-stakeholder initiative launched by UN Environment Programme and the Climate and Clean Air Coalition.

Engagement:

- PIMCO engaged with the company regarding measurement-based methane reduction targets and disclosure.
- They also encouraged them to use direct measurements for methane emissions reporting and target setting and to adopt an absolute emissions target in addition to their intensity-based target alone.
- PIMCOs engagement also covered their view and best practices on sustainability-linked bonds such as using methane tracking and targets as a potential key performance indicator (KPI) for the coupon trigger mechanism.

Outcome and next steps:

- In early 2022, EQT became the largest producer of responsibly sourced natural gas (RSG) certified under EO100TM, a distinction set by Equitable Origin, the world's first independent environmental standards system.
- While there is still some debate regarding the RSG certification process and its dependability, this effort by EQT indicates the company is committed to direct measurement and transparency of their methane emissions.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions (formerly known as River and Mercantile Investments Limited)	The Engagement Blueprint has been provided to the Trustees separately
Legal and General Investment Management	https://www.lgim.com/landg-assets/lgim/document-library/capabilities/active-ownership-report-2021-uk-eu-middleeast.pdf
PIMCO	https://www.pimco.co.uk/handlers/displaydocument.PIMCO_ESG_Policy_Statement.pdf