

Equinor UK Limited

**Annual Report and Financial
Statements**

Equinor UK Limited

31 December 2020



Equinor UK Limited

Registered No. 1285743

DIRECTORS

Alex Grant (appointed 11 June 2021)
Arne Gürtner
Svein Skeie
Fride Seljevold Methi (Appointed 01 April 2020)
Bente Hovland (Resigned 11 June 2021)
Catherine Allsopp (Resigned 11 June 2021)
Stephen Bull (Resigned 18 February 2021)
Beate Myking (Resigned 12 February 2020)
Helge Haugane (Resigned 01 April 2020)

SECRETARY

Leanne Adrienne Paul

AUDITOR

Ernst and Young LLP
2 Marischal Square
Broad Street, Aberdeen
AB10 1BL
United Kingdom

BANKERS

Deutsche Bank AG
6 Bishopgate
London
EC2P 2AT

SOLICITORS

Lovells LLP
21 Holborn Viaduct
London
EC1A 2DY

REGISTERED OFFICE

1 Kingdom Street
London
W2 6BD
United Kingdom

STRATEGIC REPORT

The directors of Equinor UK Limited (the “Company”) present their strategic report for the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the exploration, development, production and supply of oil and gas and the provision of services. The Company supports Equinor’s development of its corporate strategy and manages business development and merger and acquisition activities, while maintaining a responsible approach to health, safety and the environment.

REVIEW OF THE BUSINESS

Development and Production

The Company is involved in joint ventures and projects in the United Kingdom Continental Shelf “UKCS” which are detailed below.

Mariner

The Mariner oil field (interest of 65.11%, operator) is located in the UK North Sea, some 150 km east of the Shetland Islands. The field includes a production, drilling and living quarter platform based on a steel jacket. Oil is exported by offshore loading from a floating storage unit. Production from the field commenced in August 2019 and averaged 14.7 mboe/d in 2020 (2019 4.5 mboe/day).

Barnacle

The Barnacle field (interest of 44.34%, operator) is located in the UK North Sea, some 2 km from the UK-Norway maritime border. The field has been developed through an extended reach well tied back to the Statfjord B platform on the Norwegian side of the North Sea. Production from the field started in December 2019 and averaged 2mboe/d in 2020. In February 2021, Equinor completed the acquisition of a 21.37% interest in the Barnacle field from Esso Exploration and Production UK Limited. As a result of the transaction, Equinor increased its working interest in Barnacle to 65.71%.

Utgard

Utgard (interest of 38%) is a gas and condensate discovery in the North Sea. The cross-border field development includes two wells in a standard subsea concept, tied back to the Sleipner platform on the Norwegian side of the North Sea. Production commenced in September 2019 and averaged 8 mboe/d in 2020.

Rosebank

The Rosebank oil and gas field (interest of 40%, operator) some 130 km northwest of the Shetland Islands is the largest known undeveloped resource on the UK Continental Shelf. The project is currently maturing towards concept selection.

Bressay

Bressay (interest of 81.63%, operator) is a heavy oil discovery at the 31 December 2020. On 20 January 2021, Equinor completed the sale of a 40.81% interest in and transferred the operatorship of the Bressay oil field development to EnQuest Heather Ltd.

Jupiter

The Jupiter gas field (interest of 30%) is located in the southern part of the UK North Sea, operated by ConocoPhillips. Following cessation of production in 2016, a decommissioning campaign led by the operator remains ongoing.

Alba

On 30 April 2018, the Company sold its total non-operated interest of 17% in the Alba field to Verus Petroleum and retained its share of the decommissioning liabilities for the existing infrastructure. Verus Petroleum assumed decommissioning liabilities for any new infrastructure.

Equinor UK Limited

STRATEGIC REPORT (CONTINUED FOR THE YEAR END 2020)

Exploration

At the end of the year, the Company held an interest in 12 (2019: 19) exploration licenses on the UK CS and is the operator of 9 (2019: 14) of those.

During the year, the Company was awarded 3 licences all as operator in the 32nd Offshore Licensing Round on the UKCS. All were awarded close to existing Exploration licences or UK & NCS (Norwegian Continental Shelf) infrastructure positions; all 3 were merged with existing licences.

Marketing

The Company markets and supplies gas to a portfolio of end users. During the year, the average number of end users was 4 (2019: 4). All the contracts have been terminated within Q1 2021.

KEY PERFORMANCE INDICATORS

The Company's key financial and other performance indicators during the year were as follows:

	2020	2019	Change
	£'000	restated £'000	%
Turnover	422,176	359,618	17%
Operating (loss)	(1,215,114)	(224,834)	-440%
(Loss)/profit for the year	(554,815)	41,557	-1435%
Equity shareholder's funds	2,404,301	2,970,639	-19%

	2020	2019	Change
Production (mboe/d)	24.9	9.7	157%
Serious incident frequency (SIF)*	0.0	0.8	
Total recordable injury frequency (TRIF)*	0.7	5	

*In 2020, all Equinor incidents and hours recorded in the Equinor version of the Synergi database are disclosed. In 2019, SIF and TRIF data was shown in relation to Mariner only, SIF 0.8, TRIF 3.9.

Turnover in 2020 includes oil and gas sales from producing fields as well as sale of services. Turnover increased in 2020 mainly due to increased production volumes from 3,545 mboe in 2019 to 9,118 mboe in 2020 despite a significant price reduction, particularly during 2nd and 3rd quarters of 2020 caused by COVID-19 pandemic.

The main factor attributing to operating loss is impairment of a producing upstream asset.

FUTURE DEVELOPMENTS

There are no planned changes to the activities of the company in the future.

The COVID-19 global outbreak continues to affect the Company's operations and the way we work.

Equinor UK Limited continues to take measures to mitigate risk for communities, employees and business operations. The pandemic continues to make it challenging to predict the full extent of operational and economic impacts for the Company.

GOING CONCERN

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 31 September 2022 (the 'going concern period').

The Company closely monitors and manages its funding position and liquidity risk, including monitoring cashflow forecast (both long term and short term), to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced, and sensitivities considered for changes in crude oil prices, production rates, costs and other factors. These forecasts and sensitivity analyses allow management to mitigate liquidity risks in a timely manner.

The Company has previously been provided with a financing facility of £1.5bn by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment was repaid in December 2019 as scheduled. The remaining loan repayments are scheduled for December 2022 and 2023 in two equal instalments.

In reaching the conclusion that the going concern basis is appropriate the Company performed sensitivity analysis and considered measures to maintain liquidity under a plausible downside scenario by applying a price reduction of 40%.

The Company is actively monitoring the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact. More details can be found in the Risk section of the strategic report and in Corporate governance report.

Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and mitigations that the Company faces in the course of conducting its business operations. Although not exhaustive, the following list highlights the principal risks and uncertainties.

Risk	Mitigation
1. COVID-19 pandemic	
<p>The COVID-19 pandemic affects demand for, and supply of, oil and gas, impacts commodity prices and operational delivery. Equinor UK Limited is a major supplier of energy to the United Kingdom and has a range of operational activities, including operating offshore oil and gas facilities in UK waters.</p>	<p>Throughout 2020 the Company took steps to mitigate against the COVID-19 risks including: providing employees with an allowance to purchase home office equipment, promoting safe at home working practices and supporting mental wellbeing through campaigns, strengthening business continuity and emergency response plans, and introducing COVID-19 testing for personnel working on our offshore installations (see Workforce and employee engagement in Corporate governance statement). As part of upstream response, the Company took measures to ensure the safety of personnel and to safeguard production during the outbreak, suspending drilling and project development activities over a period of time in 2020.</p>
<p>Additional risks identified and mitigated in 2020 were a consequence of the COVID-19 pandemic. For example, managing the health and safety risks to our workforce associated with catching and transmitting COVID-19 whilst maintaining business continuity.</p>	
2. Price risk	
<p>Fundamental market forces beyond the Company's control have affected and will continue to affect oil and natural gas prices in the future. Prolonged low oil prices could erode the profitability of the Company's operations, its financial condition, liquidity, and ability to fund development projects, which in turn, can lead to reduced reserve replacement and proved reserves.</p>	<p>Safeguarding our people and our financial position while protecting projects and operations was given priority in a situation characterised by weak and volatile markets. The Company does not have control over the factors that affect the prices of oil and natural gas. The prices of oil and natural gas have fluctuated significantly over the last few years. There are several reasons for these fluctuations, but fundamental market forces beyond the control of Equinor UK Limited or other similar market participants have impacted and will continue to impact oil and natural gas prices in the future. Oil and natural gas price risks are managed at the corporate level at Equinor ASA.</p>
<p>The industry experienced significant price volatility in 2020, triggered, among other things by the changing dynamic among Opec+ members and the uncertainty regarding demand created by the COVID-19 pandemic. See COVID-19 pandemic risk above. Climate change in general, the energy transition, governmental regulations and policies, and the world's reach of the climate targets set out in the Paris Agreement, could either together or independently influence the oil and natural gas prices.</p>	
3. Health, safety and environmental	
<p>The Company is exposed to a wide range of health, safety and environmental risks that could result in harm to our workers and the environment. Exploration, offshore oil and gas and new</p>	<p>The safety and security of our people and the integrity of our operations is Equinor's top priority. Our safety and security work are guided by our commitment to prevent harm to</p>

energy/wind operations present safety and environmental hazards to personnel and wider society. Risks are identified, assessed, evaluated, and managed through Equinor's risk management framework. Risk factors that could affect health, safety and the environment include operational workscopes, use of hazardous substances, technical integrity failures, vessel collisions, natural disasters and adverse weather conditions. Equinor UK Limited has a robust risk management and safety management system to mitigate and manage the health, safety and environmental risks, including the major accident risks.

people's health, safety and security and the environment. Equinor's strategy defines "Always safe" as one of three pillars and our ambition is to be an industry leader in safety and security. We aim to continuously develop a proactive safety culture where safe and secure operations are integrated into everything we do. To improve our results, we regularly evaluate monitoring indicators, review, and learn from incidents, conduct verification activities, and implement improvement measures as needed.

The major accident risks are governed by the Corporate Major Accident Prevention Policy (CMAPP) which provides a high-level summary of the arrangements in place for management and control of major accidents hazards across all Equinor UK Limited operated activities. The document outlines the lines of reporting and accountability

4 Production operations risks

The Company's future performance depends on efficient operations and the ability to develop and deploy new technologies and new products.

The ability to maintain efficient operations, to develop and adapt to innovative technologies and digital solutions, to seek profitable low-carbon energy solutions, are key success factors for future business.

5. Credit risk

Credit risk is the risk that the Company's customers or counterparties will cause Equinor UK Limited financial loss by failing to honor their obligations.

The Company's policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in note 15 to the financial statements.

6. Liquidity and cash flow risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future payments on a variable rate debt.

The Board is confident that the Company is well placed to mitigate the liquidity risk which is attributable to two factors:

- The loan facilities from the parent company Equinor ASA. The company is a fully owned subsidiary of Equinor ASA. It is Equinor ASA's present policy to operate and finance wholly owned subsidiaries to enable them to meet their obligations under any extended open credit on transactions with their suppliers and joint venture partners.

- Cash generated from upstream activities. The management team monitors cash flow forecasts and acts proactively in case of an indication of liquidity risks materializing by planning in advance the remedial actions. The recovery of hydrocarbons prices and continuing production from three producing fields helps the Company to secure adequate liquidity.

7. Security threats and Cyber-attacks risks

The Company is exposed to security threats that could have a materially adverse effect on the Company's operations and financial condition.

Security threats such as acts of terrorism and cyber-attacks against the Company's operations, offices, means of transportation, digital infrastructure or computer or information systems or breaches of the Company's security system, could result in losses.

The Equinor group has a systematic approach to managing and mitigating the Cyber Security threat. Technical solutions are deployed to minimise the risk of intrusion and detection systems are monitored continually. Information within the organisation is protected and subject to access controls. Internal requirements and policies covering Cyber Security and Information Management are audited, reviewed, and updated to adapt to the changing risk picture. Equinor requires employees to maintain a high level of cyber security awareness through training programmes and monitors their individual progress and understanding.

8. Brexit

The UK left the European Union on 31 December 2020, and a new Trade and Cooperation Agreement came into force, governing the relationship. Not all elements of the new relationship have been finalized, and some elements, including energy, are subject to review. In the early months of the new arrangements, Equinor UK Ltd found increased administrative costs and complexities with new customs rules, and some restrictions on trade due to Rules of Origin requirements. The effects of changes to the movement of people have been masked by the wider COVID limitations on travel. We will continue to keep the impacts of Brexit under review.

Monitoring of preparedness for Brexit risks has and continues to take place through regular meetings and discussions with respective business area representatives.

9. **Climate risk**

A transition to a lower carbon economy will impact the Company's business and entails risks related to policy, legal, regulatory, market, technology, and reputation. Stricter climate regulations and policies could impact the demand for oil and gas and the Company's financial outlook, including the carrying value of its assets. Increased concern over climate change could lead to increased expectations on fossil fuel producers, as well as a more negative perception of the oil and gas industry.

The Company is preparing for regulatory changes and policy measures targeted at reducing greenhouse gas emissions. We apply an internal carbon price of at least \$ 56 per ton of CO₂ in investment decisions. Equinor's climate roadmap, including climate ambitions, is a response to challenges related to climate change.

Section 172 Companies Act 2006

The Company applied The Wates Corporate Governance Principles for Large Private Companies, which provides a framework for Board decision making and management to ensure the long-term success of the company and its stakeholders and comply with the requirements of Section 172 of the Companies Act 2016. Our Corporate governance report against the Wates principles has been included on pages 14-24 of these Financial Statements.

The information of how the directors have had regard to the matters set out in section 172(1) of the companies Act 2006 can be found in the Corporate Governance report in the relevant sections referenced below:

- a) the likely consequences of any decision in the long term, - Principles 1 and 4.

COVID-19

The outbreak of COVID-19 in 2020 affected the Company's business and activities. The Company took actions to protect our workforce whilst safeguarding our operations. Directors were regularly informed of the impact of COVID-19 on our people, projects and portfolio and the measures taken to secure business continuity.

Safety

Always safe is one of Equinor's group strategic principles and safety is on the agenda for all BoD (Board of Directors') meetings. In 2020, the Board approved an update to the Health Safety and Environmental policy. The aim of the policy is to strengthen our commitment to safety and provide leaders with a tool to enforce a safety culture. The Board will monitor the implementation of the policy.

Risk management

The Board focuses on ensuring adequate control of the company's internal control and risk management. The Board is presented with the Company risks and the risk mitigation measures, based on enterprise risk management. Risks are managed by the Business Area line managers, represented on the BoD. In connection with monitoring the Company's internal control over financial reporting, the Board is presented with the test results from internal audits as well as external auditors' observations.

Other

The Board has approved two asset divestments in 2020 (Verbier, Bressay). Risks and opportunities related to these transactions have been discussed.

- (b) the interests of the company's employees – Principles 5 and 6.
- (c) the need to foster the company's business relationships with suppliers, customers and others, Principle 6.
- (d) the impact of the company's operations on the community and the environment, Principle 6 – Local communities.
- (e) the desirability of the company maintaining a reputation for high standards of business conduct Principles 1, 2,3,4,5,6.
- (f) the need to act as between members of the Company.

The company's only member is a parent company Equinor ASA. At the same time Equinor ASA acts as a major Customer of the Company.

The Board confirms that, throughout the year, the Company has applied the Principles set out in this report, both in spirit and in form. The information set out in the Corporate governance report is intended to provide an explanation of how the principles have been applied throughout the year. We have chosen to provide information that we believe stakeholders may benefit from a more specific explanation.

By order of the Board of Directors

Arne Gürtner (447539)

Arne Gürtner
Director
28 September 2021

Equinor UK Limited

DIRECTORS' REPORT

The directors present their annual report and financial statements of the Company for the year ended 31 December 2020.

EVENTS AFTER THE REPORTING DATE

Events after the reporting date are stated are listed in note 24 of these Financial statements.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £554,815 thousand (2019 profit after taxation: £41,557 thousand). There were no dividends declared or paid during the current or preceding year.

EMPLOYEES

In the Company, we believe that being diverse and inclusive is a source of our competitive advantage. Diversity represents all people, all backgrounds, and all perspectives: ethnicity, experience, education, background, competence, sexual preference, religion, and disability shape our ideas and perspectives. Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection—where the richness of ideas, backgrounds, and perspectives are harnessed to create business value. The Company is fostering an inclusive culture by mitigating against unconscious bias through leadership training, appointing inclusion ambassadors and making diversity and inclusion an agenda item for discussion in management meetings.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim in accordance with our core value of being a caring organisation.

The Company is committed to employee involvement throughout the business. Employees are kept well informed of the performance and strategy of the Company through regular company council meetings, email and broadcasts by the Managing director and members of the Board throughout the year.

A statement summarising how the directors have engaged with employees and taken account of their interests is included in the Corporate Governance Report under Principle 6 – Workforce and employee engagement.

STAKEHOLDER RELATIONSHIPS

A statement summarising how the directors have engaged with suppliers and others in a business relationship with the company is included in the Corporate Governance Report (Principle 6 – Stakeholder relationships and engagement).

BRANCH

In June 2020, the Company registered a branch of Equinor UK Limited in Norway (Equinor UK Limited, NUF).

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year and changes since 31 December 2020 are listed on page 1. None of the directors had any beneficial interest in the shares of the Company.

Equinor UK Limited

DIRECTORS' REPORT (CONTINUED FOR YEAR END 2020)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Energy Use and Carbon Emissions

The following tabulates the energy use and direct carbon emissions of Equinor UK Limited and its subsidiaries during 2020:

	Energy Use (MWh)	Direct CO ₂ emissions (te)	Intensity Ratio
Mariner field	662,397	144,762	
<ul style="list-style-type: none"> • Mariner A • Mariner B • Noble Lloyd Noble 	<ul style="list-style-type: none"> • 517,038 • 63,204 • 82,155 	<ul style="list-style-type: none"> • 105,902 • 16,897 • 21,963 	Mariner asset: 14.8 kg CO ₂ per barrel of oil produced
Sheringham Shoal	2,885		No ratio established
London & Aberdeen offices	2,654		No ratio established
Fleet vehicles, hire cars etc	<100		No ratio established
Total	668,036	144,762	N/A

The Mariner field is the largest energy user within Equinor UK Limited. Produced gas is used, to generate power for the drilling, production, processing, storage and utility systems on the Mariner A installation Mariner B is powered by diesel. Surplus produced gas that is not used for power generation is flared. Lesser amounts of energy are consumed by the wind energy developments and the associated onshore offices, primarily electricity for heating, lighting and instrumentation.

Intensity ratio

The intensity ratio for the Mariner asset in 2020 was 14.8 kg CO₂ emitted per barrel of oil produced.. The average CO₂ intensity from a UKCS production platform is 21 kg/boe (2019 OGUK Environmental Report). No intensity ratios have been established for offshore wind energy developments and hence none is given here.

Energy-Saving Measures

Since production start-up in August 2019, focus has been to establish a baseline in order to gain a full understanding of the subsurface behaviour, energy usage and CO₂ intensity. 'Quick win' decarbonisation initiatives are pro-actively being developed and deployed. An example implemented in 2020 was re-rating of the Mariner A to Mariner B export pipeline to allow higher export temperatures. This results in reduced heating requirements at Mariner B and ultimately saves energy and reduces carbon emission from the field. Identification of carbon reduction initiatives and assessment of the costs and impacts of the initiatives are being proactively progressed.

Equinor UK Limited

DIRECTORS' REPORT (CONTINUED FOR YEAR END 2020)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Ernst and Young LLP was re-appointed as auditor of the Company.

Arne Gürtner (447539)

Arne Gürtner
Director

28 September 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework" (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE REPORT

Equinor UK Limited is a wholly owned subsidiary of Equinor ASA, a Norwegian company, listed on both the Oslo and New York stock exchanges. As a listed company, Equinor ASA complies with the requirement to report on its corporate governance in its annual report which can be downloaded from its website, www.equinor.com. Additional corporate governance information can also be found on the Equinor website.

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018 (the "**Principles**") and available on the FRC website).

The Company's application of the Principles throughout the year 2020 is set out below.

PRINCIPLE 1 – PURPOSE AND LEADERSHIP

The Equinor Group – Corporate organisational structure

The Equinor group ("**Equinor**"/ the "**Equinor group**"), parented by Equinor ASA was originally founded as a Norwegian oil and gas company which has grown into a broad energy company with activities in more than 30 countries around the globe. The Equinor group's activities include most phases of the oil and gas value chain, from exploration of hydrocarbons through to developing, production and manufacturing, marketing and trading, as well as a growing renewables business.

Equinor's identity is set out in the **Equinor Book** (<https://www.equinor.com/en/how-and-why/sustainability/codes-of-conduct.html>), imposing a common framework for who we are and how we work and essentially sets standards for behaviour, performance, and leadership.

Equinor - Who we are

Our **Purpose** is to turn natural resources into energy for people and progress for society.

Our **Vision** is shaping the future of energy.

Our **Values** help us set direction, guide our decisions, actions, and the way we interact with others. They are:

- Open;
- Collaborative;
- Courageous;
- Caring.

Leaders in Equinor are role models for our values which means always putting the safety and security of our people first, understanding risks and acting with integrity and high ethical standards in everything they do. Our **Leadership** principles act as a guide for all leaders in Equinor and inspire those with leadership responsibility to:

- Shape our future by, looking for opportunities to improve our operations and business, and act on them;
- Empower people by, setting and communicating a clear direction, trusting people to deliver and engage across boundaries;
- Deliver results by, making a difference and adding value for Equinor by demonstrating safety leadership and commercial instinct.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Our **Strategy** is Always safe, High value, Low carbon. We are committed to long-term value creation in a low *carbon future*.

Our success depends on thousands of individuals working together where each one makes a difference. Safety is our priority and is integrated in everything we do, and safety expectations are applicable to us all.

Equinor - How we work

Corporate Governance

Good corporate governance ensures that the Equinor group is run according to our values and for the benefit of our people, stakeholders, and society as a whole. It also ensures that everyone has a clear understanding of their roles, responsibilities, rights and accountability. As a public limited company, Equinor adheres to Norwegian and applicable international corporate governance standards and requirements. We also ensure good corporate governance through our values-based culture, stringent ethical requirements, and a Code of Conduct that promotes integrity.

Equinor's **Code of Conduct** describes Equinor's code of business practice and the requirements for expected behaviour. The Code of Conduct applies to Equinor UK Limited Board members, employees and hired personnel.

Equinor Ethics Helpline

Equinor employees and anyone that interact with Equinor has the right to, and are encouraged to, raise concerns when there is any suspected or potential breach of law or company policies including the Code of Conduct. For this purpose, Equinor has established the Ethics Helpline, a 24-hour phone service and portal, hosted by a third-party helpline provider, Ethics Point.

The Ethics Helpline has been set up to ensure confidentiality and to protect the rights of both the caller and the potential subject of a report. You may choose to be anonymous where permitted by law. The Ethics Helpline enables a two-way communication between the caller and the company. Equinor will not implement sanctions against anyone reporting in a responsible manner.

Our **Performance framework** translates our vision, values and strategy into actions and results, creating a clear link to team and individual contributions. In **Ambition to Action**, we translate Equinor's purpose, vision and strategy into meaningful strategic objectives and risks, KPIs and actions for each business area. All business areas in Equinor UK Limited have their own Ambition to Action and use it to align their ambitions with Equinor's long-term strategy, disclose their strategic objectives, actions and progress towards targets and create a link to individual contributions.

We have a values-based performance culture in the Company. How we deliver is as important as what we deliver. This means that delivery and behaviour is equally weighted when evaluating the performance of our employees.

We have developed a **Management System** to capitalise on the collective knowledge and best practice we have gained over many years. The Management System contains the information we need to set us on the right path when performing our work. It is also one way we ensure safe and efficient execution of activities, reducing risk and saving time and costs.

Equinor UK organization

Equinor UK Limited follows the Corporate Governance structure set out in the Equinor Book and the Management System.

The Equinor organisation in the UK (Equinor UK) is structured to be able to respond to current and future business needs. Equinor's strategy and targets at a group level flow through to the UK business via the relevant business area. Equinor's business areas conduct business through Equinor UK Limited according to the nature of their activities and in accordance with the Equinor group strategy with respect to the UK.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Five distinct business areas (BA) are active in the UK and business activities are undertaken, to varying degrees, through Equinor UK Limited:

- Development & Production International (DPI);
- Marketing, Midstream & Processing (MMP);
- New Energy Solutions (NES);
- Exploration (EXP);
- Global Strategy & Business Development (GSB).

This matrix structure enables us to deliver results in the most efficient way and maximise utilisation of expertise and resources across the Equinor group. Business areas are supported by the corporate staff and support functions active in Equinor UK Limited.

In addition, Equinor has appointed a Country Manager for its activities in the UK. The UK Country Manager is supported by a UK Country Management team consisting of Business Area representatives and staff function representatives, covering all Equinor's activities and staff in the UK. The UK Country Management team addresses cross BA operational and strategic issues. In 2020, the most frequently discussed topics were implications of the COVID-19 pandemic, including business continuity measures, testing procedures, working from home and return to office and Brexit. Throughout the year, time has been allocated to discuss BA specific topics, including strategy and roadmaps.

Equinor UK Limited, in keeping with the Equinor group's vision "shaping the future of energy" and its strategy "Always safe, High value, Low carbon" is committed to turning natural resources into energy for people and progress for society. The strategy of the Company is in line with the strategy of the Equinor Group, which is discussed on pages 19-22 of the Equinor ASA annual report (<https://www.equinor.com/no/investors/annual-reports.html#downloads>).

PRINCIPLE 2 – BOARD COMPOSITION

The Equinor UK Limited Board of Directors is composed to facilitate informed decision making in line with the business activities undertaken by the Company. With regards decision making of the Board, all Board decisions are made by majority vote of the Directors present with each Director having one vote, except in the case of parity of votes where the Chairperson has a second or casting vote. One Director serves as a permanent Chairperson of the Board for the duration of their appointment.

The Board is made up of representative Directors from respective business areas active in the Company, contributing broad expertise and insight on all the Company's activities. Each business area who wants to bring a matter to the Board submits this through the relevant Director of Equinor UK Limited representing that business area, having first obtained approval through the decision authorities applicable in that business line.

The Board regularly invites relevant members of the corporate staff and support functions to advise, inform and report on specific matters with which they are charged, for example, the People and Leadership function often advises and reports on employee matters and the Safety, Security and Sustainability (Safety, Security and Sustainability) function advises on matters of safety and security.

Directors gain knowledge of the wider Company's activities, other than their own business areas, from open discussion with other Directors and invitees at Board meetings, deep dives on topical issues, participating in and having access to the Country Management forum (a platform focusing on UK specific strategy, risks, and stakeholders) and its participants and experts, which consolidates the Equinor group's wider activities in the UK.

In terms of demonstrating diversity, the Board in 2020 consisted of a mix of Norwegian and British nationals. Appointments and resignations occurred to better suit the business needs of the Company. Equinor continues to develop and improve on diversity mix in all aspects in its organisation and offers focused training on Mitigating Unconscious Bias and Inclusive Leadership to all leaders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors are further guided in their duties by the 'Equinor Board of directors handbook' which sets out Equinor's expectations for Board members sitting on boards of Equinor subsidiaries or joint venture companies.

On an annual basis, directors of the Company, are required to complete Equinor's on-line Code of Conduct training. The Code certification reminds all of their duty to comply with Equinor values and ethical requirements and creates an environment with open dialogue on ethical issues, both internally and externally.

In an average year, there are approximately four scheduled Board meetings, with ad hoc meetings held as and when required for the purpose of updates and obtaining relevant approvals from the Board. During 2020, the Company had five scheduled meetings and four ad hoc meetings.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

Accountability

Good corporate governance ensures the Company is run according to our values and for the benefit of our people, stakeholders and society. It also ensures that everyone has a clear understanding of their roles, responsibilities, rights and accountability.

While Board oversight is maintained, certain decisions are delegated to the business areas with the most appropriate business and industry experience. Each Board member has a clear understanding of their accountability and responsibilities. The Board has developed an annual programme to ensure that relevant matters are addressed. Each business area operating through the Company has its own Organisation, Management and Control document (OMC) (part of the Equinor Management System) which sets out in more detail, the activities for which it is accountable, their organisation, operating model and control processes.

The Equinor UK Limited Board of directors is accountable for ensuring that the Company's activities executed through different business areas are conducted safely and that policies, standards and procedures contained within the governing documents relating to a business area and its activities are followed and implemented effectively.

In addition to their direct reporting lines via their respective business areas, individual Directors are accountable to the Equinor UK Limited Board for ensuring, amongst other things, that their activities are conducted safely and securely and in accordance with the relevant governing documents that apply to the business area as detailed in the Equinor Management System whilst having regard to local law requirements and maintaining a degree of independence and control in the subsidiary. Further the Directors are guided in their duties by the principles set out in the 'Equinor Board of directors handbook'.

Integrity of information

Several mechanisms are in place to ensure that Board members have appropriate oversight of and involvement in the activities carried out under the Company and can access reliable information sources to make more informed decisions. Other than input from directors representing different business areas, Board meetings are structured to include high level reports/updates of cross-company functions who are charged with advising the Board and informing their decisions with the right considerations on specific matters. These functions also implement measures within the company in accordance with Equinor group policies with approval from the Board, including but not limited to:

- People and Leadership (PL) who are responsible for people planning, policies, reward, relations, strategy, competence, and collaboration matters;
- Safety, Security and Sustainability (SSU) responsible for developing SSU policies, reporting on SSU performance, coordinating assurance activities, ensuring that emergency response plans are in place for all activities in the Company;
- Finance and Control (F&C) responsible for overseeing financial reporting and quality assurance of statutory reporting;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- Legal (LEG) responsible for monitoring and communicating changes in local law, ensuring consistency in the legal function and compliance across the Equinor group, serving as company secretary for the Company;
- access to UK Country Management forum to inform on common business themes e.g., political analysts, communication specialists, safety, security and sustainability experts.

Processes for collection, quality assuring and reporting data is governed by requirements in the Management System and is reviewed regularly by Equinor's internal audit function.

PRINCIPLE 4 – RISKS AND OPPORTUNITIES

Risks

Equinor applies the enterprise risk management approach for managing risks and opportunities. The framework is embedded in our management system and includes methods and processes to manage risks and opportunities related to achievement of our strategic objectives. By identifying and proactively addressing risks and opportunities, Equinor can protect and create value for its shareholders.

The Board of Directors focuses on ensuring adequate control of the Company's internal controls and overall risk management. Equinor UK Limited manages risk to make sure that operations are safe and in compliance with requirements.

Opportunities

Long-term strategic opportunities are identified at a group and country level. The opportunities are drawn from the business areas and support functions and reflect our ambitions for the next 10 years. Short-term opportunities to improve performance are managed in Ambition to Action by each individual BA.

Responsibilities

In Equinor UK Limited, risks are identified and managed by the individual BA line managers. This is based on the principle that risks and opportunities are owned and mitigated by the business line in which they arise and impact. Examples of such risks are major accident risk and risks related to the operational efficiency of our assets.

To mitigate our most significant risks we have established policies and requirements embedded in our management system. One example is the Corporate Major Accident Prevention Policy (CMAPP). The purpose of CMAPP is to provide a high-level summary of the arrangements in place for management and control of major accident risk across all Equinor UK Limited operated activities.

For an overview of risks and their mitigation, see page 4 in the Strategic report.

Controls

Equinor UK Limited has identified and documented key controls to mitigate risks related to financial reporting, covering all aspects of the company's operations. Each key control is assigned to at least one individual who takes ownership of the control and is required to complete a sign-off on an on-line tool on a quarterly basis to confirm compliance. The controls are assigned to individuals in all BAs. We are working to continuously improve how we document our internal controls.

In designing and evaluating our disclosure controls and procedures, our management at a Corporate level, recognised that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance that the desired control objectives will be achieved, and that the management must necessarily exercise judgment when evaluating possible controls and procedures. Because of the limitations inherent in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and any instances of fraud in the company have been detected.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPLE 5 – REMUNERATION

Equinor UK Limited follows the Equinor global corporate reward principles in setting our Total Reward offering of compensation and benefits. Total Reward is designed to:

- Be an integral part of our performance framework;
- Reflect company performance and financial results;
- Be differentiated according to responsibilities and performance;
- Ensure a sustainable cost level;
- Be transparent, non-discriminatory and fair.

Ultimately our aim is a reward offering which reflects local market conditions and recognises and rewards performance equally on what we deliver and how we deliver.

Equinor's career model consists of a leadership and professional pathway, and employees are encouraged to develop across both. The model describes Equinor's expectations for different roles and opportunities to develop. Each job band in Equinor UK Limited has a salary range attached to it, with employees remunerated within the applicable band based on their experience and performance. Directors and senior management in Equinor are remunerated in the same way as other employees.

As required by government regulation for gender pay reporting, in addition to reporting data for Equinor UK Limited, we also voluntarily publish figures from Equinor Production Limited. Our 2019 Gender Pay Gap report signalled progress in narrowing the pay gap. Our 2020 report continues that theme capturing a continuing improvement to the median pay gap and median bonus gap for women in both entities. In 2020, Equinor increased recruitment of female graduates. Further, as part of our ambitions in Renewables, Equinor supports sector action to support offshore wind commitments to increase diversity in the workforce with an ambition of 40 per cent women employed in the sector by 2030.

From 2019, we introduced changes to variable pay, providing greater transparency of our bonus structures and target levels by job grade. In 2020 we have strengthened equal pay evaluation as part of Equinor's annual salary review process, addressing any gender-based pay parity.

In Equinor UK we are committed to driving gender equality and inclusion across our business so that we make better business decisions and work to our full potential. We work hard to strengthen our organisation to reflect the communities and customers we serve, aligned with our values of being open, collaborative, courageous and caring.

We aim for gender balance and diversity in all our leadership activities, including talent and succession reviews, leadership assessments and development courses and top-tier leadership deployment. As part of this we pay close attention to positions and discipline areas dominated by employees of one gender.

We continue to strengthen diversity and inclusion in Equinor by embedding it into our key human resources processes, such as recruitment, succession planning, performance management, and leadership development. We are committed to developing awareness of how a diverse workforce contributes to stronger business performance and mitigate unconscious biases.

PRINCIPLE 6 – STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Good governance and effective communication are essential on a day-to-day basis to deliver on our vision and strategic ambitions to add and protect value, and to safeguard the company's brand, reputation and relationships with all our stakeholders.

We also recognise that aligning Equinor UK's strategic ambition and direction with key stakeholders is vital to delivering on our strategic ambitions. Equinor UK Limited has a broad range of stakeholders, however, the most important are the parent company, workforce, joint venture partners, suppliers, UK government, industry associations and local communities.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Workforce and employee engagement

The Board and management team engage employees using a variety of communication channels. Formal channels include the offshore safety committee meetings and UK Works Council.

The offshore safety committee's main role is to help promote and develop measures to ensure the occupational health and safety of the workforce on the offshore installations, through co-operation between management and the workforce.

The UK Works Council is a forum of elected employees and management representatives and the purpose of the Council is to promote and foster an open environment in which employees at all levels of the Equinor UK organisation engage in constructive dialogue, collaboration and consultation relating to strategy, performance and matters affecting them in their employment.

The UK Works Council sits a minimum of three times a year, however in extraordinary circumstances such as during the COVID-19 pandemic, the Council met an additional five times for extraordinary meetings to discuss Equinor UK's business continuity response, the economic impact of the pandemic on the energy markets and the ongoing corporate restructure. Additionally, during 2020, local Works Councils were established in each of Equinor's UK locations to encourage open dialogue regarding matters affecting local teams and business areas in London, Norfolk and Aberdeen.

On an annual basis, employees of the Equinor group are encouraged to participate in the Global People Survey (GPS). Equinor UK Limited complies with the survey requirements and the survey timetable. This survey is critical for evaluating and improving key topics that impact safety, working environment, engagement and the drive for continuous improvement and change.

2020 was an unprecedented year. The onset of the global pandemic has emboldened virtual employee engagement activities which employees can participate in at their convenience and from a home office environment. In 2020 Equinor UK introduced a webinar series addressing mental health concerns, developed a mental health blog via Yammer covering 12 mental health related topics, and launched a voluntary turn-key health and wellbeing programme, referred to as Virgin Pulse. Employees have been able to participate individually or as virtual teams and customise their wellbeing journey. Encouraging employees to stay connected and prioritise personal well-being during COVID-19.

Informally, employees are encouraged to comment on organisation strategy, direction and commercial activities as well as personal insights using internal social media, such as Yammer.

Suppliers

Equinor UK Limited is committed to using Suppliers who operate in accordance with our values and who maintain high standards for Health, Safety and Environment, Ethics and Corporate Social Responsibility.

We require our suppliers and business partners to comply with applicable laws, respect internationally recognised human rights principles and be guided by the ethical standards set forth in our Code of Conduct when working for or in partnership with Equinor. We will only establish or extend existing Supplier relationships if the Supplier meets our standards.

Our Suppliers are fundamental to our business and the following outline some of the main reasons why:

- Supplier deliveries enable us to remain competitive by maintaining continuity of operations.
- Suppliers contribute to ensuring safe and efficient operation at our facilities.
- Engagement from suppliers is necessary to realise new projects and operate our existing facilities.
- Collaboration with Suppliers, old and new, can help to contribute towards local content and promote opportunities within the local community.
- Supplier spend accounts for approximately 80% of overall spend.

CORPORATE GOVERNANCE REPORT (CONTINUED)

- Innovation and collaboration with our supply chain is required to drive our digitalisation and continuous improvement agenda.

To ensure openness and collaborative based sharing of future plans, Equinor attends industry stakeholder events within the locations where we operate, and we are a key member of industry forums such as Oil and Gas UK. For new projects, we work closely with Suppliers to develop robust Supply Chain Plans.

The Equinor website has a dedicated Supplier portal (<https://www.equinor.com/en/supply-chain.html#1a>) to enable Suppliers to understand our procurement process requirements (including Code of Conduct, HSE and Human Rights expectations) and highlight the key databases we use in order to source and qualify Suppliers.

Within Equinor, we have a key focus on Supplier Relationship Management. This is based upon a tiered system, which categorises the strategic importance of the Contract and Supplier. The system incorporates regular performance reviews and Key Performance Indicator (KPI) to drive performance with Suppliers. The KPIs will vary depending on Contract scope, however, they all focus on the key performance areas of Safety, Quality, Performance, Delivery and Cost. For key global suppliers, Equinor provide feedback to executive level forums. These discussions influence supply chain strategy, including but not limited to, remuneration, incentivisation models and KPIs.

Supplier Relationship Management is based upon a collaborative approach within Equinor, and we ensure our Suppliers feel empowered to engage openly. Suppliers faced unprecedented difficulties during 2020 due to the COVID-19 pandemic and the economic downturn. Equinor worked with our supply chain to ensure business continuity both for Equinor and our Suppliers. Furthermore, in line with our Caring core value, we have sought to support our Suppliers to ensure our Contracts remain sustainable and that they have sufficient levels of financial solvency. Brexit was also a factor during 2020, where we engaged closely with Suppliers to ensure business continuity and used it as an opportunity to map our supply chain and review local sourcing.

Equinor's Human Rights Policy commits to respect all internationally recognised Human Rights and sets out how we relate to our Employees, Contractors, Suppliers, Partners and Communities affected by our business activities. Further, the Company sets out expectations of our Suppliers and their continued efforts to comply with and maintain high standards towards Human Rights. We have a framework within which we consistently monitor and assure our Suppliers and their sub-suppliers adhere to all Human Rights expectations. COVID19 and the economic downturn, led to an increased focus on Human Rights during 2020 with additional training provided to our procurement team and continued open dialogue with our Suppliers. As part of Equinor's ongoing review of Human Rights, a new Human Rights Risk Assessment Tool was introduced within Equinor globally and our Contract terms and conditions were updated to reflect our latest specific compliance requirements.

Equinor UK Limited monitors and reports on our performance for Supplier payment. According to the latest Payment Practice Report published at Gov.uk (dated 22 October 2020), the average time for Equinor to pay Supplier invoices for the period 1 January 2020 – 30 June 2020 was 20 days. This represents a reduction of three days compared to the same period in 2019.

In addition, on an annual basis the directors approve the Modern Slavery act Statement which the company is required to prepare and publish outlining the steps taken by the company to ensure that slavery and human trafficking are not taking place in supply chains or own business activities and confirming that such steps have been taken. Throughout 2020 the company continued raising awareness among employees to enable them to identify potential risks. This continuous effort has long term benefits for the Company and its stakeholders, enhances company's reputation and welfare of the Company's suppliers and own employees. The statement signed for the year 2020 was the fifth statement signed on behalf of the Group.

Joint venture partners

Collaborative, strong and constructive relationships with Joint Venture partners are of paramount importance for the Company, and the Company has processes in place to manage the relationship with its

CORPORATE GOVERNANCE REPORT (CONTINUED)

Joint Venture partners in order to mitigate risks, increase efficiencies, ensure alignment of interests and maximise the value of joint venture assets.

The Joint Venture partners are jointly responsible for the management of joint operations and are governed by relevant agreements (e.g., Area Operating Agreement (AOA) for the Mariner Joint Venture, Joint Operating Agreement (JOA) for Rosebank Joint Venture and all Exploration Joint Ventures). The relationships with Joint Ventures are managed via Joint Operating Committees whose purpose is to exercise overall supervision and control of all matters pertaining to Joint Operations as a minimum twice per year in technical, commercial and operating environments to manage the formal business of the Joint Venture. In addition, other informal meetings occur to maximise Joint Venture engagement and to ensure alignment and delivery against assets' strategy and vision.

Parent company

As the parent company of the Equinor Group and the 100% owner of Equinor UK Limited, Equinor ASA carries out activities on behalf of Equinor UK Limited related to external sales of oil and gas products, group management, corporate functions and group financing.

Equinor ASA markets and sells Equinor UK Limited oil and gas production from the UK continental shelf together with the production from other legal entities in the Group. All related party transactions are carried out on an arm's length basis.

Equinor ASA provides financing to Equinor UK Limited. The intra group financing arrangement is provided as a means of centralisation of the Group's cash and currency and to secure control and risk management.

Corporate governance and controls in Equinor UK Limited are based on the same principles and tools as in Equinor ASA. Representatives of Equinor UK Limited shall perform their duties in a professional and responsible manner and in line with Equinor ASAs management system.

Government

As an energy company, Equinor in the UK operates in a mature regulated industry and has operations in England and Scotland. Equinor maintains close relationships with the relevant parts of the UK government, from central government and relevant ministers and officials, relevant committees in the UK Parliament, the devolved administrations, regulators, local MPs and local authorities.

Equinor's relationship with the UK and Scottish governments during 2020 included, inter alia, discussion on strategic issues such as the development of a new UK Government Energy White Paper, formal consultations run by the UK Government on various issues, attendance by UK Ministers and officials at Equinor events, and briefing of Ministers, interested politicians, and officials on Equinor's operations in the UK.

Industry associations

Oil and Gas UK (OGUK)

Equinor UK Limited is an active member of Oil and Gas UK, the leading representative body for the UK offshore oil and gas industry, with representation throughout various technical workstreams. OGUK membership offers an opportunity to shape the industry agenda and work collaboratively with industry peers on policy advocacy and promotion of good practise.

Management and representatives represent the Company on a variety of industry led forums and workgroups, including safety and environment, supply chain, legal, and net zero groups and Council meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Offshore Regulators

Oil and Gas Authority, Health and Safety Executive and Offshore Petroleum Regulator for Environment and Decommissioning

Company Directors, Managers and representatives liaise with the regulators in a variety of ways: informal and formal meetings, report submissions and data monitoring as well as facilitating onshore and offshore regulatory inspections.

Owing to the COVID-19 pandemic in 2020, additional engagement with UK authorities was necessary to ensure the safety of Equinor's operations and continuity of business.

Step Change in Safety

Step Change in Safety is a member-led organisation where the objective is to share and adopt best safety practices for UKCS offshore operations.

Oil and Gas Technology Centre (OGTC)

Equinor is a corporate member of OGTC and a strategic partner of the TechX Pioneer Programme, a technology accelerator and incubator for start-ups. The goal of OGTC is to unlock the full potential of the UK North Sea, anchor the supply chain in North East Scotland and inspire a culture of innovation and transformation.

Renewable UK (RUK)

For 2020 Equinor had the chair of RUK Board. Equinor cooperates with RUK on many areas like aligning messaging to government on offshore wind, Global Offshore Wind conference, participate in different work groups etc. Equinor is concentrating effort to focus on offshore wind, and participates in workstreams important to shape the future of offshore wind like, Aviation, System Flexibility and services, market design, offshore consents and Licensing, supply chain.

OWIC

The Offshore Wind Industry Council (OWIC), a senior Government and industry forum consisting of 10 developers and 3 OEM to drive the development of the world-leading offshore wind sector in the UK. Equinor has been very active in following up the different workstreams of the Sector Deal and Equinor is the Sponsor for Offshore Wind Growth Partnership (OWGP). The Council oversee and drive the implementation of the Sector Deal and are supported by a Secretary/Offshore Wind Sector Deal Programme Manager, hosted within RUK. The OWGP is the main vehicle of the Sector Deal supporting high growth companies in the UK offshore wind supply chain to enable 60% UK content.

G+

Equinor held the chair person for G+ in 2020. Equinor also participates in the monthly meetings in the G+ Focal Group focusing on Safety. During 2020 there has also been monthly meetings to share learning and experience from Covid challenges. Learning and transfer of experience is the focus of G+ and the organization issues yearly accident statistics.

Local community support

Active and effective stakeholder outreach is increasingly important in the UK as our business continues to grow. This also includes outreach to our local communities through, amongst other things, monetary donations, employee volunteering and participating in local events.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Equinor employees in the UK are entitled to use up to 2 working days a year for volunteer activities which are Company supported. Opportunities are many and varied and examples include engaging with local school children by hosting a Maths breakfast club, IT support sessions for the elderly and reading sessions with school children.

Alongside local community outreach, Equinor in the UK has a number of sponsorships, which are aimed at supporting the next generation through the promotion of Science, Technology, Engineering and Maths (STEM).

- We are title sponsor of Wonderlab: The Equinor Gallery at the Science Museum in London.
- We are Digital Futures Partner of the Aberdeen Science Centre.
- We sponsor a public outreach programme focussed on STEM through the Techfest Festivals in Aberdeen, delivering an annual 2-day STEM event.
- Through the University of Aberdeen Equinor supports an annual scholarship of the Integrated Petroleum Geoscience programme which provides funding as well as a placement project linked to our UK upstream portfolio.

Equinor has enjoyed a long-standing collaboration with Imperial College since 2013, currently through the sponsoring of 40 MSc scholarships over a 5-year period (2018-2022). The objective is to stimulate research and competence development within strategically important areas for both parties and to hire a proportion of sponsored graduating students. Over the years scholarships have been given within Civil and Chemical Engineering and the Earth Sciences, but the scope is now being broadened into other important areas such as e.g., renewable energy, energy transition and digitalization. In summer 2020, despite COVID-19 restrictions Equinor UK Limited hosted (virtually) two Students from Imperial College, who actively worked with Equinor while also fulfilling requirements of their MSc course.

In April and December 2020, Equinor made monetary donations to charities in the areas local to our operations and charities chosen by employees in London, Aberdeen and Norfolk, as well as a national charity, to aid in their COVID-19 response efforts, with priority given to those serving vulnerable groups.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINOR UK LIMITED

Opinion

We have audited the financial statements of Equinor UK Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's Going Concern assessment process. We also engaged with management early to ensure all key risks and factors were considered in their assessment.
- We obtained management's going concern assessment which covers the period up to 30 September 2022. The Company has modelled an adverse scenario in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Company.
- We tested the assumptions included in the management's cash forecasts; comparing prices used against readily available benchmark data, evaluating forecast reductions in revenues in light of reasonably plausible scenarios based on historic data, assessed the likelihood of maintained cost profiles given our understanding of the business, validated the nature of cash/non-cash movements based on historic data and assessed their impact on the working capital position of the Company in light of the impact of Covid-19. We compared the actual results for 2020 with those modelled for 2021-2022 to ensure that they were appropriate, factoring in price reductions in the region of 30%-40% on expected production flow rates.
- We assessed the credit facilities from other group companies available to the Company and the ability of those companies to provide such financing via inspection of intercompany loan documentation, review of board meeting minutes to understand managements' plans to arrange further intragroup finance and analysing the liquidity position of the Parent Company at year-end in order to understand and challenge the Company's capability of deferring the repayment of loans due by the Company.
- We obtained management's reverse stress test which adjusted revenue until the headroom was removed entirely and identified and evaluated corroborative and contrary evidence to assess whether these adjustments to the assumptions were within a range of possible outcomes.
- We read the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period up to 30 September 2022.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINOR UK LIMITED (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUINOR UK LIMITED (Continued)

Explanation as to why the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company must comply with laws and regulations relating to its operations, including health and safety, employees, GDPR, and anti-bribery and corruption.
- We understood how the Company is complying with those frameworks by making enquiries of management, those charged with governance, and the Company's General Counsel to understand how the Company maintains and communicates its policies and procedures in these areas and reviewed correspondence with relevant authorities. We corroborated this information by reading through the board minutes. We did not find anything that would contradict management's assertions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company has applied. Where instances of risk behaviour patterns were identified through data analytics, we performed additional procedures to address the identified risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, including that of the General Counsel, and testing of journal entries, with a focus on journals indicating unusual transactions or meeting our defined risk criteria based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Clarke Cooper (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

29 September 2021
Aberdeen

Equinor UK Limited

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

		2020	2019 restated
	Notes	<u>£000</u>	<u>£000</u>
Turnover	2	422,176	359,618
Cost of sales		<u>(625,514)</u>	<u>(479,868)</u>
Gross Loss		(203,338)	(120,250)
Administrative expenses		(72,198)	(87,354)
Foreign exchange		(4,578)	4,655
Impairment of tangible fixed assets		<u>(935,000)</u>	<u>(21,885)</u>
Operating Loss		(1,215,114)	(224,834)
Impairment of investments	12	(6,633)	(136)
Gain on sale of disposals of non current assets	13	<u>(1,184)</u>	<u>157</u>
Loss before interest and taxation		(7,817)	21
Interest receivable and similar income	6	2,160	4,030
Interest payable and similar charges	7	(29,280)	(7,170)
Other finance charges	8	<u>(5,463)</u>	<u>(10,625)</u>
		(32,583)	(13,765)
Loss before taxation		(1,255,514)	(238,578)
Tax on Loss	9	<u>700,699</u>	<u>280,135</u>
(Loss)/Profit after taxation		(554,815)	41,557
Other Comprehensive Loss			
Remeasurements of net defined benefit asset	20	(11,523)	(9,726)
Total Comprehensive (Loss)/Income for the year		<u>(566,338)</u>	<u>31,831</u>

All operations are continuing.

Notes 1 to 25 form part of these financial statements.

Equinor UK Limited

BALANCE SHEET at 31 December 2020

	Notes	2020 £000	2019 restated £000
Non current assets			
Property, plant and equipment	11	2,275,413	3,334,446
Intangible assets	10	287,053	267,901
Right of use assets	18	38,545	71,026
Investments	12	-	6,633
Pension surplus	20	41,715	52,143
Deferred tax	9	1,514,039	813,338
		<u>4,156,765</u>	<u>4,545,487</u>
Current assets			
Inventories	14	14,581	24,057
Debtors	15	214,708	408,559
Cash at bank and in hand		<u>2,421</u>	<u>2,057</u>
		231,710	434,673
Creditors: amounts falling due within one year	16	(54,886)	(825,994)
Provisions: amounts falling due within one year	19	<u>(4,240)</u>	<u>(6,401)</u>
Net current assets/(liabilities)		172,584	(397,722)
Total Assets less current liabilities		4,329,349	4,147,765
Creditors: amounts falling due after more than one year	17	(1,562,752)	(864,861)
Provisions: amounts falling due after more than one year	19	(362,296)	(312,265)
Net assets		<u>2,404,301</u>	<u>2,970,639</u>
Capital and reserves			
Called up share capital	21	2,518,000	2,518,000
Profit and loss account		<u>(113,699)</u>	<u>452,639</u>
Equity shareholder's funds		<u>2,404,301</u>	<u>2,970,639</u>

Notes 1 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 of September 2021 were signed
Arne Gürtner (447539)

Arne Gürtner
 Director

Equinor UK Limited

STATEMENT OF CHANGES IN EQUITY at 31 December 2020

	Called up Share Capital £000	Profit & loss Account £000	Equity Shareholder's funds £000
At 1 January 2019	1,968,000	420,808	2,388,808
Shares issued in the year	550,000	-	550,000
Profit for the year	-	41,557	41,557
Remeasurements of net defined benefit asset	-	(9,726)	(9,726)
At 31 December 2019	2,518,000	452,639	2,970,639
At 1 January 2020	2,518,000	452,639	2,970,639
Loss for the year	-	(554,815)	(554,815)
Remeasurements of net defined benefit asset	-	(11,523)	(11,523)
At 31 December 2020	2,518,000	(113,699)	2,404,301

Notes 1 to 25 form part of these financial statements.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2020

ACCOUNTING POLICIES

Equinor UK Limited (the “Company”) is a company limited by shares and is incorporated in the UK. The financial statements the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors’ on 28 September 2021 and the balance sheet was signed on the Board’s behalf by Arne Gürtner.

Basis of preparation

These Financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council and the requirements of the Companies Act 2006.

The Company transitioned from FRS 102 to FRS 101. Transition reconciliation showing all material adjustments are disclosed in note 25.

The functional and presentation currency of these financial statements is British sterling. Amounts are rounded to the nearest £1,000s.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

The Company’s ultimate parent undertaking, Equinor ASA, includes the Company in its consolidated financial statements. The consolidated financial statements of Equinor ASA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from www.equinor.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;
- (f) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- g) the requirements of paragraphs 30 and 31 of IAS 8;
- (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 – Impairment of Assets – provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (i) the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets; and
- (j) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- (k) the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

Exemption from preparing consolidated financial statements

The results of the Company are included in the group financial statements of Equinor ASA. The Company is consequently exempt from the obligation to prepare and deliver group financial statements under section 400 of the Companies Act 2006. As a result, these financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 31 September 2022 (the 'going concern period').

The Company closely monitors and manages its funding position and liquidity risk, including monitoring cashflow forecast (both long term and short term), to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced, and sensitivities considered for changes in crude oil prices, production rates, costs and other factors. These forecasts and sensitivity analyses allow management to mitigate liquidity risks in a timely manner.

The Company has previously been provided with a financing facility of £1.5bn by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment was repaid in December 2019 as scheduled. The remaining loan repayments are scheduled for December 2022 and 2023 in two equal instalments.

In reaching the conclusion that the going concern basis is appropriate the Company performed sensitivity analysis and considered measures to maintain liquidity under a plausible downside scenario by applying a price reduction of 40%.

The Company is actively monitoring the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact. More details can be found in the Risk section of the strategic report and in Corporate governance report.

Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

The accounting policies set out below, unless otherwise stated, have been applied consistently throughout the period presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Investments in property plant and equipment

Equinor has chosen the cost model for reporting of Property Plant and Equipment and has decided not to use the revaluation model (fair value approach) under IAS 16.

According to the cost model property, plant and equipment that qualify for recognition as an asset shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are tangible items that:

- a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- b) are expected to be used during more than one period

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:

- a) it is probable that future economic benefits associated with the item will flow to the entity; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

b) the cost of the item can be measured reliably.

Revenue recognition

Revenue is generated from services provided by the Company and sales of crude oil and gas. Revenue is recognised and invoiced in the month in which it is generated. Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of goods and services in each such contract. The revenue amounts that are recognised reflect the consideration to which the Company expects to be entitled in exchange for those goods and services. Revenue from the sale of crude oil, natural gas, petroleum products and other merchandise is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. Each such sale normally represents a single performance obligation.

Financial items

Financial items are income and expense items relating to financial investments, the management of liquidity, interest and currency risk and loan financing of the entity's short-term, mid-term and long-term capital requirements, as well as other credits and financial guarantees received or furnished. Different types of loans, current and non-current, cash holdings and current and non-current financial investments are examples of items that are financial.

Typical financial items include:

- interest income and interest expenses,
- gains and losses on the sale of securities,
- currency gains and losses,
- transaction expenses and charges in connection with financial transactions.

Note: The financial accretion expense related to asset retirement obligation is classified as a financial item.

Underlifts and overlifts

Underlifts and overlifts of oil in jointly owned operations are reflected by adjusting cost of sales and working capital balances. Underlifts and overlifts are valued at the fair market value. A proportion of the underlifts or overlifts reflects volumes that will be recovered from other joint venture parties in that field in proportion to future production and therefore is largely classified as a debtor or creditor.

Interest payable and receivable

Interest payable and receivable is charged or credited to the profit and loss account on an accruals basis.

Financial assets

Financial assets are initially recognised at fair value when the Company becomes a party to the contractual provisions of the asset.

The subsequent measurement of the financial assets depends on which category they have been classified into at inception. At initial recognition, the Company classifies its financial assets into the following three categories: Financial investments at amortised cost, at fair value through profit or loss, and at fair value through other comprehensive income based on an evaluation of the contractual terms and the business model applied.

Cash and cash equivalents include cash in hand, current balances with banks and similar institutions.

Trade receivables are carried at the original invoice amount less a provision for doubtful receivables which represent expected losses computed on a probability-weighted basis.

Financial liabilities

Financial liabilities are initially recognised at fair value when Equinor becomes a party to the contractual provisions of the liability. The subsequent measurement of financial liabilities depends on which category they have been classified into. The categories applicable for the Company are either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost using the effective interest method.

Production and exploration costs

The Company accounts for production and exploration costs under the successful efforts method and thus all direct and indirect costs related to licence and data acquisition, geological and geophysical work and

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

unsuccessful exploration drilling are expensed. The cost of initial exploration acreage acquired from other companies has been capitalised as intangible assets. Producing interests are capitalised on the basis of the costs of acquisition and treated as tangible assets, including acquisition of rights to explore and exploratory drilling.

Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditure within intangible assets until the well is complete and the results have been evaluated.

Capitalised exploration and evaluation expenditure, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves are transferred from Exploration expenditure (Intangible assets) to Construction in progress (Property, plant & equipment) at the time of sanctioning of the development project.

The Company undertakes a review for impairment of all fixed assets if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount that is the higher of fair value less costs to sell and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined based on estimated discounted future net cash flows.

Joint arrangements that are not entities

The Company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the company's interest in the joint arrangement.

Borrowing costs

Borrowing costs on loans which are used to fund major developments are capitalised to the Fixed assets. All other borrowing costs are recognised in the profit and loss account in the period which they are incurred. See note 11 and 16.

Capitalisation of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Investments

Investments are accounted for at the lower of cost or fair value less costs to sell.

Depreciation

The capitalised costs of the producing fields are depreciated on a unit of production basis. Depreciation is calculated with reference to the proportion that production for the period bears to the total of the estimated remaining commercial reserves.

Other fixed tangible assets are depreciated by equal monthly instalments over their estimated useful economic lives as follows:

Property and short leasehold assets	–	period of lease
Gas storage facility project	–	25 years
Fixtures, fittings and office equipment	–	5 years
Motor vehicles	–	4 years

Non exploration intangible assets are amortised on a straight-line basis over their estimated useful economic lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

Useful life and depreciation profiles

The following factors are considered in determining the useful life of an asset: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production etc.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

Leases

The Company has adopted IFRS 16 Leases with effect from 1 of January 2019.

A lease is defined as: “A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration

For lessees, leases shall be recognised on the balance sheet as a “Right of use” asset (RoU asset) and a “lease liability”. The RoU asset is depreciated over the lease term, while the period lease payments are split between payments of interests and down-payment of the lease liability. The period cost will consist of depreciation expense from depreciation of the RoU asset and interest cost. For leases used in the construction of other assets, the lease cost should be capitalised as part of the cost price of that asset. Service and capacity contracts, which do not meet the definition of a lease, are expensed as incurred (normally linearly).

For lessors, financial leases are accounted for as a sale of an asset, with the net present value of future lease payments recognised as a financial lease receivable. Related lease payments are considered payments of interests and repayments of the financial lease receivable, while the lessor recognises payments from operational leases as income over the lease period.

The requirements in IFRS 16 Leases do not apply for leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources. This includes the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained (that is, unless those rights of use include more than the right to explore for natural resources), but not equipment used to explore for the natural resources.

Lease contracts signed on behalf of a license partnership In situations where the operator signs the contract in its own name and is considered to have the primary responsibility for lease payments towards the external lessor, the operator shall report the lease liability and the related RoU asset on a gross basis. When the operator’s use of this asset on a license is considered a financial sublease from the operator to the license, the operator shall derecognise the nonoperator’s portion of the RoU asset and recognise a financial sublease receivable from the non-operators.

Decommissioning provision

A decommissioning provision arises when the legal obligation to remove an installation arises for both oil and gas activities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated together with the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Petroleum revenue tax (PRT)

Current UK PRT is treated as an income tax and is charged as a tax expense on chargeable field profits included in the profit and loss account.

Deferred petroleum revenue tax (deferred PRT)

Provision for deferred PRT is made on a field-by-field basis using the incremental liability method. Provision is made for timing differences in respect of capital and revenue expenditure and the decommissioning provision.

Research and development

Research and development expenditure is expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory principally comprises of oil, oil products and spares, and is stated at the lower of cost and net realisable value. The cost includes all expenditure incurred in bringing each product to its present location and condition. Net realisable value is based on the estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, and on unused tax losses and credits carried forward, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable income, convincing evidence is required, taking into account the existence of contracts, production of oil or gas in the near future based on volumes of proved reserves, observable prices in active markets, expected volatility of trading profits, expected foreign currency rate movements and similar facts and circumstances. When an asset retirement obligation or a lease contract is initially reflected in the accounts, a deferred tax liability and a corresponding deferred tax asset are recognised simultaneously and accounted for in line with other deferred tax items

Foreign currency transactions

Transactions in foreign currencies are initially recorded in sterling by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account.

Pension costs

The company operates a defined benefit pension scheme. The cost of providing benefits under this scheme is determined using the projected unit credit actuarial valuation method. The employer's portion of current and past service costs, curtailment and settlement costs are charged to operating profit. Expected return on pension scheme assets and interest on pension scheme liabilities are credited to other finance income. Actuarial gains and losses are fully recognised through other comprehensive income as they arise such that the balance sheet reflects the scheme's full surplus at the balance sheet date. A surplus is recognised to the extent that the Company is able to recover the surplus through reduced contributions or refunds.

The Company also maintains a defined contribution scheme. Contributions are charged to the profit and loss account in the year in which they are due.

Accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In the process of applying the Company's accounting policies, the Directors have made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

Deferred tax

The Company accounts for significant changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon proper application of, at times, very complex sets of rules and the recognition of changes in applicable rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

Decommissioning provision

The Company has significant obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

Impairment/reversal of impairment

The Company has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may to a large extent depend upon the selection of key assumptions about the future. The investment portfolio is managed and evaluated on a fair value basis in accordance with an investment strategy and is accounted for at fair value through profit or loss.

Pension Assets and Liabilities

When estimating the present value of defined benefit pension obligations that represent a long-term liability in the financial statements, management make a number of critical assumptions affecting these estimates. Most notably, assumptions made about the discount rate to be applied to future benefit payments and plan assets, the expected rate of pension increase and the annual rate of compensation increase, have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements.

Lease term

The lease term is the non-cancellable period of a lease, including any periods subject to lease extension options where the lease extension option is considered reasonably certain to be exercised and any periods subject to lease termination options where the lease termination is reasonably certain not to be exercised. Assessing whether a lease termination option or a lease extension option is considered reasonably certain to be exercised requires judgment. The key assessment is whether the contract or other facts and circumstances indicate that there is an economic incentive for extending or terminating the lease term. The assessment of whether a termination or extension option is considered reasonably certain to be exercised shall be made at inception of the lease (date when contract terms are set, normally the date of the contract).

Lease discount rate

When recognising a lease liability, the lease payments over the lease term shall be discounted using the implicit interest rate in the lease. If no implicit interest rate exists, the Company's incremental borrowing rate shall be used, reflecting the contract currency, the duration of the lease and any security or guarantees provided to the lessor.

The Company has centralised the process of identifying the discount rate to be used for each lease contract. The incremental borrowing rate to be used will depend on lease term (duration of contract), contract currency and the credit risk assigned to the legal entity carrying the lease liability. The discount rate used when recognising a lease liability shall remain fixed (unchanged) throughout the lease term unless a variable interest rate is set in the lease contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

Estimation of proved oil and gas reserves

Capitalised exploration and evaluation expenditures, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of production wells, and field-dedicated transport systems for oil and gas are capitalised as Producing oil and gas properties within Property, plant and equipment. Such capitalised costs, when designed for significantly larger volumes than the reserves from already developed and producing wells, are depreciated using the unit of production method based on proved reserves expected to be recovered from the area during the concession or contract period. Depreciation of production wells uses the unit of production method based on proved developed reserves, and capitalised acquisition costs of proved properties are depreciated using the unit of production method based on total proved reserves. In the rare circumstances where the use of proved reserves fails to provide an appropriate basis reflecting the pattern in which the asset's future economic benefits are expected to be consumed, a more appropriate reserve estimate is used.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations.

Proved oil and gas reserves may impact the carrying amounts of oil and gas producing assets, as changes in the proved reserves, for instance as a result of changes in prices, will impact the unit of production rates used for depreciation and amortisation.

Reserves estimates are complex and based on a high degree of professional judgement involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors and installed plant operating capacity. Recoverable oil and gas quantities are always uncertain. The reliability of these estimates at any point in time depends on both the quality and availability of the technical and economic data and the efficiency of extracting and processing the hydrocarbons. Reserves quantities are, by definition, discovered, remaining, recoverable and economic.

Transition from FRS 102 to FRS 101

Leases

FRS 101 (IFRS 16) requires leases to be shown as RoU asset and Lease liability on the Balance sheet with corresponding depreciation of the RoU asset and interest on the liability in the Income statement whereas under FRS 102 (FRS 17) all the operating leases to be expensed through the Income statement. The restated results as at 31 of December 2019 showed an increase in RoU assets by £71m, increase in debtors by £22m and increase in liabilities by £95m.

Deferred tax

Deferred tax under FRS 102 is based on timing differences and under FRS 101 on Temporary differences. The Deferred tax calculated using both methods provide the same Deferred tax results.

Pension

The main differences between the FRS101 and FRS102 accounting standards in relation to the pension aspects are of the treatment of past service costs, settlements and curtailments, and the restriction on any surplus recognised. None of the above are applicable to the Company.

No further material adjustments due to transition from FRS 102 to FRS 101 were identified.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2020

ACCOUNTING POLICIES (CONTINUED)

New standards applied

New and amended standards and interpretations

Amendments to IFRS7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements as the Company

Amendments to IAS1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These had no material impact on the financial statements of the Company, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. These amendments had no material impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Company did not receive any Covid-19 related rent concessions and therefore the amendment had no material impact on the financial statements of the Company.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

2. TURNOVER

Turnover represents the amounts derived from the sales of hydrocarbons and services stated net of value added tax.

The revenue increase from the sale of oil is due to the full year of production in 2020 compared to only 5 months production in 2019, despite the depressed oil prices particularly in Q2 and Q3 of 2020 due to COVID-19.

	2020 £000	2019 £000
Revenue from sale of:		
-Oil	213,365	103,814
-Gas	51,824	32,911
Revenue from provision of services:		
-Transportation	59,257	102,707
-Timewriting	92,076	113,884
-Storage and other	5,654	6,302
	<u>422,176</u>	<u>359,618</u>

Timewriting relates to provision of services by the Company's employees to group undertakings.

	2020 £000	2019 £000
By geographical location		
United Kingdom	117,017	163,854
Norway	295,032	183,371
The Netherlands	875	2,354
USA	3,922	2,389
Other	5,330	7,650
	<u>422,176</u>	<u>359,618</u>

3. EXPENSES AND AUDITOR REMUNERATION

Included in loss are the following:

Operating loss is stated after charging/crediting

	2020 £000	2019 restated £000
Depreciation		
- Owned assets	907	844
- Fields in production and development DD&A	376,879	162,440
- RoU assets depreciation	4,277	3,760
Total	<u>382,063</u>	<u>167,044</u>
Short term lease rentals	1,550	11,227
Auditor's remuneration		
Audit of these financial statements:		
Ernst and Young LLP	94	66

No fees were paid to the auditors for other services.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

4. DIRECTORS' EMOLUMENTS

The directors did not receive, nor were due, any remuneration in respect of their services to the Company in either year as throughout their service for the Company they were employed by the ultimate parent company Equinor ASA.

5. STAFF COSTS AND NUMBERS

	2020	2019
	£000	£000
Wages and Salaries	47,199	52,903
Social Security costs	7,443	6,952
Other pension costs	5,070	3,326
	<u>59,712</u>	<u>63,181</u>

The average number of employees during the year was 383 (2019 – 365). All employees are employed in operative and direct support functions.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£000	£000
Bank deposit interest	15	34
Interest receivable from parent undertaking	653	894
Net finance interest on pension scheme	1,095	1,629
Interest income from financial sublease (note 18)	397	1,473
	<u>2,160</u>	<u>4,030</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£000	Restated £000
Interest payable to parent undertaking	26,790	1,354
Other interest and financial costs	389	618
Interest on lease liabilities (note 18)	2,101	5,198
	<u>29,280</u>	<u>7,170</u>

For more information about the interest on financial sublease see note 18 Leases.

8. OTHER FINANCE CHARGES

	2020	2019
	£000	£000
Accretion of decommissioning liability	<u>5,463</u>	<u>10,625</u>

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

9. TAX ON LOSS

a) Tax on loss

	2020 £000	2019 £000
<i>Current tax:</i>		
Group relief (prior year)	-	(1,197)
Withholding tax	1	8
Consortium relief	-	(791)
Total Current tax	1	(1,980)
<i>Deferred tax:</i>		
Deferred corporation tax – current year movement	(701,424)	(272,727)
Deferred corporation tax – prior year movement	-	(12,517)
Deferred PRT	724	7,089
Total deferred taxes (note 9c)	(700,700)	(278,155)
Tax on loss	(700,699)	(280,135)

b) Factors affecting tax charge:

are reconciled below:

	2020 £000	2019 £000
Loss before taxation	(1,255,514)	(238,577)
Loss multiplied by corporation tax in the UK of 40% in 2020 (40% in 2019)	(502,206)	(95,431)
Effect of:		
PRT	434	4,253
Non ring fence temporary difference on which no DTA recognised	1,218	3,370
Other permanent differences	(1,369)	(3,586)
Depreciation in excess of capital allowances	4,248	2,091
Rate change and differences in tax rates	1,005	3,200
Losses arising due to Ring Fence Expenditure supplement	(204,030)	(179,534)
Prior year adjustments – DT	-	(12,517)
Prior year adjustments – CT/SCT	-	(1,197)
Other	1	(784)
Total tax (note 9a)	(700,699)	(280,135)

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

9. TAX ON LOSS (continued)

c) Deferred tax:

	2020 £000	2019 Restated £000
Included in non current assets	1,505,837	811,972
Provision for deferred corporation tax	1,494,511	793,086
Deferred PRT asset	19,528	20,252
Deferred tax asset	1,514,039	813,338
		<i>Total</i> £000
Cost:		
At 1 January 2020		813,338
Deferred tax in profit and loss account		700,700
Rounding		1
At 31 December 2020		1,514,039

d) The deferred tax included in the balance sheet is as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(724,713)	(1,160,493)
Losses	2,227,035	1,961,680
Deferred PRT	19,528	20,252
Deferred corporation tax on deferred PRT	(7,811)	(8,101)
Deferred tax asset	1,514,039	813,338

e) Factors that may affect future tax charges

At Budget 2021, the government announced that the Corporation Tax main rate will increase from 19% to 25% from 1 April 2023. As the new rate of 25% has not been substantially enacted at the time of preparation of these financial statements and therefore a rate of 19% has been applied to the deferred tax calculations in these accounts.

The Corporation tax rate change will only be applicable to the Company's non ring-fence (non-oil and gas) activities. As the Company is in a tax loss position and has not recognised deferred tax on those losses there is no consequential change arising from the future increase in the tax rate.

f) Unrecognised tax losses

As at 31 December 2020, a deferred tax asset arising on capital losses of £14,947 thousand (2019: £14,947 thousand) has not been recognised as the entity does not have any capital gains to offset against the capital losses.

No deferred tax asset has been recognised for the losses and provisions arising on non-ring fence activities of £ 30,722 thousand (2019: £25,799 thousand). This is due to the uncertainty of the availability of suitable taxable profits arising from non-ring activities against which losses may be deducted.

No deferred tax asset has been recognised for the fixed assets arising on non-ring fence activities of £ 9,245 thousand (2019: £9,457 thousand). This is due to the uncertainty of the availability of suitable taxable profits arising from non-ring activities against which losses may be deducted.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

10. INTANGIBLE FIXED ASSETS

	Oil and Gas licences £000	Exploration acreage £000	Total £000
Cost:			
Balance at 1 January 2020	257,099	10,802	267,901
Additions	29,023	307	29,330
Transfers	-	(493)	(493)
Balance as at 31 December 2020	286,122	10,616	296,738
Impairment/write off:			
Write off	-	(9,685)	(9,685)
Net book value			
At 31 December 2020	286,122	931	287,053
At 1 January 2020	257,099	10,802	267,901

The Oil and Gas licences relate to exploration holdings on the UK Continental Shelf, these licences are pre-development and therefore classed as intangible. Exploration acreage represents exploration costs. The write off of exploration wells relates to wells with no commercial reserves found due to no firm plans to drill further appraisal wells. Addition in oil and gas licences relates to the adjustment in fair value of Rosebank.

11. TANGIBLE FIXED ASSETS

	Fields in production and development £000	Capitalized interest £000	Property & short leasehold assets £000	Other fixed assets £000	Total £000
COST					
At 1 January 2020	3,523,447	118,260	8,430	5,380	3,655,517
Additions	253,179	0	0	170	253,349
Transfers	493	0	0	0	493
Disposals	0	0	0	(160)	(160)
At 31 December 2020	3,777,119	118,260	8,430	5,390	3,909,199
ACCUM DEPN & IMPAIRMENT					
At 1 January 2020	304,321	7,339	4,790	4,621	321,071
Charge for the year	1,290,488	21,390	562	346	1,312,786
Disposals	0	0	0	(71)	(71)
At 31 December 2020	1,594,809	28,729	5,352	4,896	1,633,786
NET BOOK VALUE					
At 31 December 2020	2,182,310	89,531	3,078	494	2,275,413
At 31 December 2019	3,219,126	110,921	3,640	759	3,334,446

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

12. INVESTMENTS

	2020
	£000
Subsidiary undertakings as at 31 December 2019	6,633
Impairment	(6,633)
Subsidiary undertakings as at 31 December 2020	(0)

Subsidiary undertakings

The Company's investment in Equinor Energy Trading Limited was impaired to zero, as the recoverable amount was below the carrying value of the investment.

The Company's investment in Equinor Production UK Ltd was impaired to zero, as the recoverable amount was below the carrying value of the investment.

All held by the Company unless indicated:

<i>Name of Company</i>	<i>Holding</i>	<i>% held</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
Equinor Exploration UK Limited	Ordinary shares	100%	Dormant	England and Wales
Equinor Energy Trading Limited	Ordinary shares	100%	Gas marketing	England and Wales
Equinor Production UK Limited	Ordinary shares	100%	Provision of Services	England and Wales

The registered address of the subsidiaries listed above is 1 Kingdom Street, London, W2 6BD.

13. GAIN ON SALE OF DISPOSALS OF NON CURRENT ASSETS

	2020	2019
	£000	£000
(Loss)/Gain on sale of non current assets	(1,184)	157

The loss on sale mainly relates to the final settlement of the sales price of the Dunlin field in sold in 2007. The price adjustment of £1.2 m represents the final settlement of a dispute in regards of PRT and CT. The gain on sale in 2019 mainly relates to final adjustments for the Alba sale and the sales of cars.

14. INVENTORIES

These consist principally of hydrocarbons and spares.

	2020	2019
	£000	£,000
Hydrocarbons	948	6,653
Spares	13,633	17,404
	14,581	24,057

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

15. DEBTORS: amounts falling due within one year

	2020	2019
	£000	Restated £000
Trade debtors	5,257	8,788
Amounts owed by Group undertakings:		
Parent undertaking	188,649	329,096
Subsidiary undertakings	5,758	13,564
Fellow subsidiary undertakings	5,053	13,491
Other debtors	7,544	33,212
Prepayments	161	129
VAT	2,286	10,279
	<u>214,708</u>	<u>408,559</u>

Included within Other debtors is underlift of £0.3m (2019 £8.8m). Amounts owed to group undertakings are unsecured, interest free and repayable on demand, except the balances with Internal home bank (IHB) of £170.4m (2019: £292.3m), which are interest bearing with interest income on the IHB of £0.10m (2019: £0.89m). The management has done the assessment and concluded that the expected credit loss is nil (2019 – nil).

16. CREDITORS: amounts falling due within one year

	2020	2019
	£000	restated £000
Trade creditors	6,085	51,168
Amount due to group undertakings:		
Parent undertaking	7,863	671,150
Subsidiary undertakings	2,983	4,711
Fellow subsidiary undertakings	4,658	4,084
Other creditors	33,297	94,881
	<u>54,886</u>	<u>825,994</u>

Included within Other creditor is overlift of £3.9m (2019 - Nil). The amounts due from group undertakings are interest free, unsecured trading balances repayable within payment terms.

17. CREDITORS: amounts falling due after more than one year

	2020	2019
	£000	restated £000
Amount due to parent undertaking	<u>1,562,752</u>	<u>844,861</u>

The Company has a loan facility with its parent for £1,520 m rate which bear interest at a rate of 1 month GBP LIBOR + 1.59%. The loan is for the purpose of financing the Mariner field development. The loan has been fully drawn and repayments started in December 2019. In December 2020 the Company obtained and approval from the parent to defer the loan repayment dates to December 2022 and December 2023 payable in equal instalments.

The management is aware that LIBOR will be replaced by SONIA at the end of 2021. The management is planning to assess the valuation of financial liabilities under the existing loan arrangement after LIBOR is replaced by SONIA during the meetings and consultations scheduled in 2021 to address the transition.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

18. LEASES

Throughout 2019 and 2020 the Company had lease contracts for various offices, vessels and a drilling rig. The amounts recognized in the statements of the financial position are as follows.

a) Amounts recognized in the statement of financial position:

	2020 £000	2019 restated £000
Balance at 01 January	71,026	137,095
Additions	16,365	-
Transfers	(44,569)	(62,309)
Depreciation for the year	(4,277)	(3,760)
Balance at 31 December	<u>38,545</u>	<u>71,026</u>

	2020 £000	2019 Restated £000
Right of Use assets		
RoU Asset - rigs	-	39,219
RoU Asset - vessels	15,892	6,689
RoU Asset - lands and buildings	<u>22,653</u>	<u>25,118</u>
	<u>38,545</u>	<u>71,026</u>

	2020 £000	2019 Restated £000
Lease liabilities		
Lease liability non-current	<u>(36,026)</u>	<u>(24,652)</u>
	<u>(36,026)</u>	<u>(24,652)</u>

b) Amounts recognized in the income statement:

	2020 £000	2019 Restated £000
Depreciation charge of right of use assets		
Depreciation RoU Asset - rigs	39,220	58,582
Depreciation RoU Asset -vessels	6,442	4,371
Depreciation RoU Asset -lands and build	3,184	3,116
Depreciation RoU Asset - rigs - alloc to capex	(39,219)	(58,582)
Depreciation RoU Asset -vessels - alloc to capex	<u>(5,350)</u>	<u>(3,727)</u>
	<u>4,277</u>	<u>3,760</u>
	2020 £000	2019 Restated £000
Interest on lease liabilities (included in Finance cost)		
IFRS 16 Interest expense - rigs	852	4,049
IFRS 16 Interest expense - vessels	388	209
IFRS 16 Interest expense - lands and buildings	<u>861</u>	<u>940</u>
	<u>2,101</u>	<u>5,198</u>

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

18. LEASES (Continued)

	2020	2019
	£000	£000
Interest income from financial sublease	<u>397</u>	<u>1,473</u>
Short term lease expense	1,550	11,227

The company leases various offices, vessels and a drilling rig. Rental contracts for rigs and vessels are typically made for fixed periods of 1 to 4 years but may have extension options. Leases of the offices have lease terms of around 20 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components.

Until the 2020 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

FRS 101 (IFRS 16) requires leases to be shown as RoU asset and Lease liability on the Balance sheet with corresponding depreciation of the RoU asset and interest on the liability in the Income statement whereas under FRS 102 (FRS 17) all the operating leases to be expensed through the Income statement.

Internal Bank rate (IBR) for offices is 3.53%, vessels from 1.54% to 2.23%, rig – 3.64%.

19. PROVISIONS FOR LIABILITIES

	<i>Decommissioning</i>
	£000
At 1 January 2020	318,666
Additions	18,805
Utilised during the year	(3,016)
Change in estimate / discount rate	26,618
Unwinding of discount factor	<u>5,463</u>
At 31 December 2020	<u>366,536</u>
of which;	
Non Current	362,296
Current	<u>4,240</u>

Decommissioning provision

Provision has been made for the estimated net present cost of decommissioning production and transportation facilities at the end of their producing lives. Discount rates range from 0.98% to 2.51% (2019 2.59% to 3.06%). The timing of decommissioning payments are anticipated to occur between 2021 and 2050.

Current provisions relate to plug and abandonment of wells on Jupiter field (Callisto ZM well), and final decommissioning work for Europa and Ganymede which were mainly completed in 2021.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

20. PENSION COMMITMENTS

The Company operates a defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. The scheme was closed to new members (excluding those as a result of the Norsk merger on the 31 August 2005), and on 31 May 2016, the plan closed to future accrual. The impact of the guaranteed minimum pension (GMP) equalisation has been reviewed and allowed for; its overall impact was immaterial.

The Company funds the pension using special contributions, which is a subject to certain criteria being met. The normal contribution has been withdrawn in the 3rd quarter of 2019.

As at 31 December 2020, there is a surplus of £41.7m in the balance sheet. This compares to a surplus of £52.1m disclosed in the balance sheet as at 31 December 2019. The main reason for the decrease in the funding position is a decrease in the discount rate assumption.

The assets and liabilities at 31 December:

	2020	2019
	£000	£000
Scheme assets at fair value:		
Equity	200,718	173,296
Bonds	138,029	132,260
Cash	2,656	1,468
Fair value of scheme assets	341,403	307,024
Present value of scheme liabilities	(299,688)	(254,881)
Surplus/(deficit) in funded scheme	41,715	52,143

The amounts recognised in the Company's Income Statement and in Other Comprehensive income for the year are analysed as follows;

	2020	2019
	£000	£000
<i>Recognised in the Income statement</i>		
Past service cost	0	0
Net interest on the net defined benefit liability	(1,095)	(1,629)
Total expense	(1,095)	(1,629)
<i>Recognised in Other Comprehensive Income</i>		
Actuarial / losses/(gains) on the liabilities	51,909	37,451
Return on Assets, excluding interest income	(40,386)	(27,725)
Total remeasurement - defined benefit liability (asset)	11,523	9,726

A full actuarial valuation of the Plan was carried out as at 30 June 2018 and has been updated to 31 December 2020 by a qualified independent actuary. The major assumptions used by the actuary were:

	2020	2019
	£000	£000
<i>Main assumptions;</i>		
Discount rate	1.30%	2.10%
Inflation assumption (RPI)	3.35%	3.40%
Inflation assumption (CPI)	2.65%	2.70%
Pension increases (linked to RPI – capped at 7.5%)	3.35%	3.40%

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2020

20. PENSION COMMITMENTS (CONTINUED)

Mortality post retirement (2020 S3PA base table –2019 S2PA base table) – Male / Female

76%/87% 80%/89%

Main assumptions;

Assumed life expectancies on retirement at age 60 are;

Retiring today – Males	29.3	29.2
Retiring today – Females	30.5	30.5
Retiring in 20 years' time – Males	30.8	30.7
Retiring in 20 years' time – Females	32.0	31.9

Changes in the present value of defined benefit obligation are analysed as follows;

	2020 £000	2019 £000
<i>Benefit Obligation at beginning of year</i>	254,881	218,634
Interest cost	5,224	5,915
Actuarial losses	51,909	37,451
Benefits paid	(12,326)	(7,119)
<i>Benefit Obligation at end of year</i>	299,688	254,881

Changes in the fair value of plan assets are analysed as follows;

	2020 £000	2019 £000
<i>Fair value of scheme assets at beginning of year</i>	307,024	276,874
Interest income on scheme assets	6,319	7,544
Return on Assets, excluding interest income	40,386	27,725
Contributions by employers	0	2,000
Benefits paid	(12,326)	(7,119)
<i>Fair value of scheme assets end of year</i>	341,403	307,024

Changes in the Surplus during the year;

	2020 £000	2019 £000
<i>Surplus in scheme at beginning of the year</i>	52,143	58,240
Movement in year:		
Contributions	0	2,000
Other finance income	1,095	1,629
Past service cost	0	0
Actuarial loss	(11,523)	(9,726)
<i>Surplus in scheme at end of the year</i>	41,715	52,143

21. SHARE CAPITAL

Ordinary shares of £1.00 each	2020 £000	2019 £000
Allotted and fully paid		
At 1 January 2020	2,518,000	1,968,000
Issue of ordinary shares	0	550,000
At 31 December 2020	2,518,000	2,518,000

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

21. SHARE CAPITAL (CONTINUED)

In 2019 the Company issued 550 million £1.00 shares for a consideration of £550 million to its ultimate parent Equinor ASA.

22. COMMITMENTS

Exploration, appraisal and development activities

At 31 December 2020 and 2019 respectively the Company had specific commitments.

	2020	2019
	£000	£000
Offshore	54,568	139,198
	<u>54,568</u>	<u>139,198</u>

The Company is further committed to participate in various exploration programmes, the precise cost of which cannot be accurately determined at the balance sheet date. Capital commitments include amounts in relation to the rental vessels for Mariner, exploration and other contractual commitments.

23. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the Company is Equinor ASA, incorporated in Norway. The consolidated financial statements of Equinor ASA, which include the company, are available to the public and may be obtained from are available from Equinor ASA, 4035, Stavanger, Norway or www.equinor.com. It is also the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared.

The ultimate controlling party is the Norwegian government.

24. EVENTS AFTER THE REPORTING DATE

Sale of interest in Bressay and transfer of operatorship

On 20 January 2021, the Company completed the sale of a 40.81% interest in and transfer operatorship of the Bressay oil field development to EnQuest Heather Ltd. for a consideration of £ 2.2 million, payable as a carry against 50% of Equinor's net share of costs, and a contingent consideration of \$ 15 million following OGA approval of a field development plan for Bressay.

Purchase of interest in Barnacle

On 19 February 2021, the Company completed the acquisition of a 21.37% interest in the Barnacle field from Esso Exploration and Production UK Limited. As a result of the transaction, the Company increased its working interest in Barnacle to 65.7%. Consideration of \$ 10.7 million was paid in July 2021.

Impairment

In 2Q 2021, impairment charge of £ 6.2 million was recognized on an upstream asset to reflect production experience, poorer-than-expected well performance, lack of success from mitigating actions (well intervention).

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2020

25. TRANSITION TO FRS 101

For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with FRS 102. These financial statements, for the year 31 December 2020 are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has restated the balances as at 31 December 2019 as per FRS 101 and the significant accounting policies meeting those requirements are described in the relevant notes. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 31 December 2019 prepared under FRS 102. On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards" including the relevant appendices, except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

In preparing these restated balances the Company stripped out the effect of FRS 102 adjustments used during the preparation of 2019 Financial statements. As such, this note explains the principal adjustment made by the Company in restating its balance sheet as at 31 December 2019.

1. Reconciliation of Income statement as per 2019 accounts to restated 2019 Income statement.

	2019 FRS 102 £000	FRS 101 Adjustment	2019 Restated £000
Cost of sales	(480,603)	735	(479,868)
Foreign exchange	4,467	188	4,655
Interest receivable	2,558	1,472	4,030
Interest payable	(1,972)	(5,198)	(7,170)
Tax loss	278,768	1,367	280,135

2. Reconciliation of statement of closing financial position at 31.12.2019 to restated 2019 statement of financial position.

	2019 FRS 102 £000	FRS 101 Adjustment £000	Restated £000
Non Current Assets			
Right of use assets	0	71,026	71,026
Deferred Tax	811,972	1,366	813,338
Debtors	386,947	21,612	408,559
Creditors: amounts falling due within one year	(755,206)	(70,788)	(825,994)
Creditors: amounts falling due after more than one year	(840,209)	(24,652)	(864,861)
Retained earnings	454,075	(1,436)	452,639

No further material adjustments due to transition from FRS 102 to FRS 101 were identified.