

Eni UK Limited Retirement Benefits Scheme  
Statement of Investment Principles

**Purpose of this Statement**

This SIP has been prepared by the Trustees of the Eni UK Limited Retirement Benefits Scheme (the “Scheme”). This statement sets out the principles governing the Trustees’ decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustees’ investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

**Investment objective**

The Trustees invest the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles, and the Scheme’s funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

The Scheme’s present investment objective is to achieve a return of around 1.9% per annum above the return on UK Government bonds (which are considered to move in a similar manner to the calculated value of the Scheme’s liabilities).

**Investment strategy**

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments

admitted to trading on regulated markets.

The actual asset allocation will deviate from the benchmark allocation shown below due to market movements. In particular, the LDI allocation may move meaningfully under or overweight due to changes in interest rates or inflation expectations. In such instances, the Trustees may not actively seek to rebalance the portfolio in order to preserve the existing level of interest rate and inflation hedging. However, the LDI funds have a mechanism to call / distribute cash in the event they experience large falls / rises in value; it is the Trustees' policy to use these cash calls and distributions to bring the assets back towards the benchmark allocation.

The Scheme's present strategy is to invest according to the following broad asset allocation:

<b>Asset Class</b>	<b>Proportion %</b>	<b>Expected Return %<sup>1</sup></b>
Passive Equity	5	4.0
Diversified Growth Funds ("DGF")	20	3.5
Absolute Return Bonds	30	2.6
Liability Driven Investment ("LDI")	45	n/a
Total	100	1.9

<sup>1</sup> Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 2.3% at 30 June 2022.

The LDI allocation aims to hedge 95% of the interest rate and inflation exposure inherent in the Scheme's liabilities, as measured on a Self-Sufficiency basis, which is defined to be the Scheme's projected future cash flows discounted in line with the gilts curve with no margin for outperformance.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Where the Scheme has appointed "active" fund managers, their objective is to outperform the market average. Short-term returns in some asset classes may exhibit considerable variability.

### **Investment Management Arrangements**

The Trustees have appointed BlackRock Investment Management ("BlackRock"), Legal & General Investment Management Ltd ("LGIM") and M&G Investments ("M&G") to manage the assets of the Scheme. The fund managers are regulated under the Financial Services and Markets Act 2000. Further details on each mandate are set out below:

<b>Fund Manager</b>	<b>Fund</b>	<b>Proportion %</b>	<b>Performance Target (gross of fees)</b>	<b>Fees</b>
BlackRock <sup>1</sup> (DGF)	Dynamic Diversified Growth Fund	20	3 month £ LIBOR + 3% over a 3 year rolling period	0.55% p.a.
LGIM (LDI)	Matching Core Liability Driven Investment	45	N/A	0.18% p.a.
LGIM (UK Passive Equity)	UK Equity Index Fund	0.75	FTSE All-Share	0.10% p.a. of the first £10m + 0.075% p.a. of the next £10m + 0.06% p.a. of the next £30m + 0.05% p.a. of the balance above £50m
LGIM (Overseas Passive Equity)	See table below	4.25	See table below	See table below
M&G (Absolute return bonds)	Alpha Opportunities Fund	30	LIBOR + 3%- 5%	0.50% p.a.

<sup>1</sup>The Trustees appointed Bank of New York Mellon to act as a custodian with respect to the Scheme's investment in the BlackRock Funds.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them.

LGIM are instructed to invest in a number of overseas passive equity funds. The below LGIM funds are invested in line with the following benchmark:

Equity Fund	Proportion %	Performance target	Fees
North America Equity Index Fund - £ Hedged	36	FTSE World North America hedged against Sterling	0.225% p.a. of the first £1m + 0.2% p.a. of the next £1.5m + 0.175% p.a. of the next £7.5m + 0.15% p.a. of the next £20m + 0.125% p.a. of the next £20m + 0.105% p.a. of the balance above £50m
Europe (ex-UK) Equity Index Fund - £ Hedged	36	FTSE World Europe (ex-UK) hedged against Sterling	0.275% p.a. of the first £1m + 0.25% p.a. of the next £1.5m + 0.225% p.a. of the next £7.5m + 0.2% p.a. of the next £20m + 0.175% p.a. of the next £20m + 0.15% p.a. of the balance above £50m
Japan Equity Index Fund - £ Hedged	16	FTSE World Japan hedged against Sterling	0.25% p.a. of the first £1m + 0.225% p.a. of the next £1.5m + 0.2% p.a. of the next £7.5m + 0.175% p.a. of the next £20m + 0.15% p.a. of the next £20m + 0.125% p.a. of the balance above £50m
Asia Pacific (ex-Japan) Dev Equity Index Fund - £ Hedged	12	FTSE World Developed Asia Pacific (ex Japan) hedged against Sterling	0.3% p.a. of the first £1m + 0.275% p.a. of the next £1.5m + 0.25% p.a. of the next £7.5m + 0.225% p.a. of the next £20m + 0.2% p.a. of the next £20m + 0.175% p.a. of the balance above £50m

The fund managers' remuneration is based upon a percentage value of the assets under management.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager. The custodian provides safekeeping for the assets and performs all associated administrative duties such as the collection of dividends.

## Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"><li>• The Trustees receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.</li><li>• The Scheme's investment managers are invited, in person, to present to the Trustees on their performance, strategy and risk exposures.</li></ul>	<ul style="list-style-type: none"><li>• There are significant changes made to the investment strategy.</li><li>• The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations.</li><li>• Underperformance vs the performance objective over the period that this objective applies.</li></ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"><li>• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li><li>• The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.</li></ul>	<ul style="list-style-type: none"><li>• The manager has not acted in accordance with their policies and frameworks (including stewardship priorities).</li></ul>

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

## Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the

Pensions Act 1995 and the Occupational Pension Scheme's (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

### **Direct investments**

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. These include the pooled vehicles available for members' AVCs/DC contributions through arrangements with Standard Life, Phoenix Life and Scottish Widows. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

### **Liquidity & Cashflow**

The majority of the Scheme's assets are invested in funds which offer daily or weekly liquidity, which can be readily realised at short notice in order to meet the Scheme's net cashflow needs.

The Trustees review and agree where to disinvest from in order to meet net cashflow requirements on a regular basis at each Trustee meeting. The Trustees seek to use these disinvestments to manage divergence of the assets from the benchmark allocation, subject to the constraint of maintaining the Scheme's levels of interest rate and inflation hedging. Therefore, in the event that the LDI assets are overweight, the Trustees will source cashflows from any available cash holding alongside these funds; in the event that there is no such cash holding, or that LDI assets are underweight, the Trustees will source cashflows from the most overweight liquid "return seeking" manager, unless they are unable to do so in the required timescales, in which case the Trustees will take alternative advice on the most appropriate manager to source the cashflows from.

### **Governance**

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

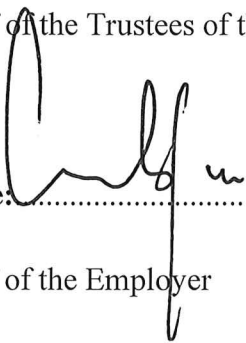
## Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme's (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Signature: 

Date: 14/2/23

On behalf of the Trustees of the Eni UK Limited Retirement Benefits Scheme

Signature: 

Date: 2/3/23

On behalf of the Employer

## Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"><li>• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.</li><li>• Investing in a diversified portfolio of assets.</li></ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"><li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li><li>• The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.</li></ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"><li>• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.</li></ul>

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 95% of the interest rate and inflation exposure inherent in the Scheme's liabilities, as measured on a Self-Sufficiency basis, which is defined to be the Scheme's projected future cash flows discounted in line with the gilts curve with no margin for



		outperformance.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: 1. Responsible Investment ('RI') Policy / Framework that is Implemented via the Investment Process 2. A track record of using engagement and any voting rights to manage ESG factors 3. ESG specific reporting 4. UN PRI Signatory 5. UK Stewardship Code signatory The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Trustees will consider an appropriate level of hedging on an ongoing basis.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

## Appendix B

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

<b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.</b>	<ul style="list-style-type: none"> <li>As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.</li> </ul>
<b>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</b>	<ul style="list-style-type: none"> <li>The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</li> <li>The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li> <li>The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.</li> </ul>
<b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.</b>	<ul style="list-style-type: none"> <li>The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.</li> <li>The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li> </ul>
<b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b>	<ul style="list-style-type: none"> <li>The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.</li> </ul>
<b>The duration of the Scheme's arrangements with the investment managers</b>	<ul style="list-style-type: none"> <li>The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> <li>For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.</li> </ul> </li> </ul>