



# Eni UK Limited Retirement Benefits Scheme Implementation Report

September 2023

# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustees' fiduciary duty.

## Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [Eni UK RBS - Statement of Investment Principles March 2023](#). Changes to the SIP are detailed later in this report.

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

### **Summary of key actions undertaken over the Scheme reporting year**

- Over the year the Trustees took several actions to aid its liquidity position and its ability to provide collateral to support the Liability Driven Investment ("LDI") portfolio with LGIM, following extreme volatility in UK government bond markets. This included the full disinvestment from the LGIM equity portfolio, and a reduction in the Scheme's holding in the BlackRock Diversified Growth Fund. The Trustees also made a full redemption from the Invesco Global Targeted Returns fund following a period of poor performance; the redemption proceeds were also used to top up the LDI collateral position.
- Following year end the Trustees agreed a new target asset allocation with the Employer and were in the process of implementing changes to move the Scheme's actual investment strategy towards this target at the time of signing of this document.

### **Implementation Statement**

This report demonstrates that Eni UK Limited Retirement Benefits Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

**Signed**

**Position**

**Date**

# Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
<b>Interest rates and inflation</b>	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.	There have been no changes to policy over the reporting year.
<b>Liquidity</b>	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.	The Trustees took several actions to maintain a sufficient liquidity position and provide collateral to support the Liability Driven Investment ("LDI") portfolio with LGIM. This included full redemptions from the Invesco Global Targeted Returns Fund and the LGIM Equity holdings, and disinvestments from the M&G Alpha Opportunities Fund and BlackRock Dynamic Diversified Growth Fund.
<b>Market</b>	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.	Over the year a new investment strategy was agreed with the Employer. The Trustees are satisfied this new strategy remains appropriately diversified.
<b>Credit</b>	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	There have been no changes to policy over the reporting year.

		manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	
<b>Environmental, Social and Governance</b>	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> <li>5. UN PRI Signatory</li> </ol> <p>The Trustees monitor the managers on an ongoing basis.</p>	Further detail provided later in this report
<b>Currency</b>	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.	<p>There have been no changes to policy over the reporting year.</p> <p>All mandates are invested in a GBP share class. Where the Trustees use active management, the manager is permitted to make decisions concerning the appropriate level of currency hedging. The Trustees are aware of this risk and monitor this as part of the overall performance monitoring process.</p>
<b>Non-Financial</b>	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.	There have been no changes to policy over the reporting year.

# Changes to the SIP

Over the period to 31 March 2023, the Trustee made changes to the SIP to reflect changes to the Scheme's investment strategy and to reflect recent regulatory requirements as well as non-material formatting / wording changes. Details of the changes can be found below.

## Updates to the SIP

Date updated: 2 March 2023

### **Investment Strategy – Strategic Allocation**

- The Trustees updated the SIP to reflect the new strategic asset allocation that was agreed for the Scheme over the period, including the full redemption from the Invesco Global Targeted Returns Fund following a period of poor performance.

### **Liquidity & Cashflow**

- The Trustees updated this policy to acknowledge that in certain circumstances cashflows may be required to come from an alternative manager to the most overweight liquid "return-seeking" holding. In such a circumstance the Trustees will take appropriate advice.

### **Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'**

- The Trustees updated their policy to acknowledge, via their investment advisers, they will engage with managers to monitor accordance with their stewardship priorities. At the time of preparing this statement, the Trustees have not set specific stewardship priorities.

# Implementing the current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

## Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<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>



## Areas of assessment and ESG beliefs

<b>Risk Management</b>	<ol style="list-style-type: none"><li>1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme.</li><li>2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee</li></ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"><li>3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.</li><li>4. ESG factors are relevant to investment decisions in all asset classes.</li><li>5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.</li></ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"><li>6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.</li><li>7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive training as required to develop their knowledge.</li><li>8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.</li></ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"><li>9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.</li><li>10. Engaging is more effective in seeking to initiate change than disinvesting.</li></ol>
<b>Collaboration</b>	<ol style="list-style-type: none"><li>11. Asset managers should sign up and comply with common codes and practices such as the UNPRI &amp; Stewardship code. If they do not sign up, they should have a valid reason why.</li><li>12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.</li></ol>



# Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 March 2023. Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Fund name and Engagement summary	Commentary
<p><b>BlackRock, BlackRock Dynamic Diversified Growth Fund</b></p> <p>Total Engagements: 383</p> <p>Engagement themes covered:            Environmental: 176            Social: 151            Governance: 337</p>	<p>BlackRock engage with companies through their Investment Stewardship team to provide feedback and inform their voting decisions.</p> <p>Examples of significant engagements include:</p> <p><b>Amazon.com, Inc.</b> BlackRock engaged with Amazon on multiple occasions to discuss a range of corporate governance and sustainable business matters in order to contribute to the company's ability to deliver durable, long-term returns. Other engagement topics included human capital management, diversity, equity and inclusion, natural capital and executive compensation.</p> <p><b>Equinor ASA</b>            BlackRock believe that as the world transitions to a low-carbon economy, investee companies should be able to demonstrate how they are assessing and managing the risks and opportunities arising from the decarbonisation of the global economy, while also managing for a reliable energy supply and a just transition. As such, BlackRock engaged with Equinor in relation to its climate-related disclosure and strategy. BlackRock were pleased with the engagement as Equinor continue to make notable improvements.</p>
<p><b>LGIM, Matching Core LDI Funds</b></p> <p><i>Matching Core Fix Short</i>  <i>Matching Core Fix Long</i>  <i>Matching Core Real Short</i>  <i>Matching Core Real Long</i></p> <p>Total Engagements: 33</p> <p>Environmental: 23            Social: 1            Governance: 8            Other: 1</p>	<p>LGIM engage with counterparties, regulators, governments, and other industry participants with the aim of influencing and instigating change.</p> <p>ESG engagement with counterparties is through LGIM's Investment Stewardship team, analysts, portfolio managers and traders. Information from these engagements is used to identify ESG risks which are embedded within LGIM's counterparty review process.</p>

**M&G,  
Alpha Opportunities Fund**

Total Engagements: 11

Environmental: 5

Social: 4

Governance: 2

M&G have a well integrated sustainable investment policy to ensure ESG considerations are incorporated across all stages of the investment process.

Examples of significant engagements include:

**Duke Energy**

M&G engaged with investor relations at Duke Energy to discuss the feasibility of the company transitioning out of coal by 2030, the company had previously shared plans to exit by 2035. Following discussions, M&G noted the company continued to demonstrate positive progress and clear intent towards exiting coal however, the 2030 date is not achievable. The company evidenced its progress of rapidly transitioning out of coal over recent decades, in 2005 coal accounted for >60% of the company's energy mix, in 2022 it accounted for <25%, and is on track for it to account for <5% by 2030.

**Informa Plc.**

M&G met with the company's Chairman and Head of Investor Relations to ensure there was appropriate succession planning in place for the company. M&G noted that the board has regular and formal discussions on succession planning for the CEO and executives and that there were no current plans for the CEO leaving. Informa confirmed that they do not specifically use an external head-hunter to search for potential talent, and in the event the CEO were to leave on a planned or unplanned basis there is a known member of the team who would be considered priority for stepping into the role in the interim. M&G were satisfied that should any event occur, the circumstances would be evaluated to consider if external recruitment would be required. M&G believe the board has a history of good stability in the leadership team and feel comfortable this will not change in the short term and should this change the controls and measures in place are sufficient.

**LGIM equity – splits shown below (\*denotes where the fund is GBP hedged)**

LGIM employs a dedicated and experienced ESG team to assess and engage with companies on key ESG issues. Within LGIM's passive equity index range, there is limited scope to adapt the investment approach to ESG matters, however the manager promotes ESG through industry-wide collaboration focused on ESG matters.

	Total	Environmental	Social	Governance	Other
Asia Pacific (ex. Japan) Equity Index*	99	73	4	18	4
Europe (ex. UK) Equity Index*	106	47	15	38	6
Japan Equity Index*	42	25	4	12	1
North America Equity Index*	263	126	52	76	9
UK Equity Index	328	49	86	175	18

# Voting (for equity/multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2023. Please note that not all categories sum to the number of total votable proposals due to rounding.

The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustees have shown the votes relating to the greatest exposure within the Scheme's investment.

Fund name and Voting summary	Examples of most significant votes	Commentary
<p><b>BlackRock, BlackRock Dynamic Diversified Growth Fund</b></p> <p><sup>1</sup> Votable Proposals: 11,775 Proposals Voted: 10,948 Votes For: 9,965 Votes Against: 758 Votes Abstained: 155 Votes Withheld: 38</p>	<p><b>Netflix, Inc</b> Blackrock voted in favour of shareholder proposal seeking to enhance disclosure practices by the company on their corporate political activities. BlackRock believe the availability of information would help investors to understand how Netflix's political activities support their long-term strategy, and consequently their public policy priorities.</p> <p><b>Woodside Petroleum Ltd.</b> Blackrock voted in favour of a management proposal to approve the company's climate report, which incorporates shareholder feedback and provides investors insight into the company's actions to date and plans to become net zero by 2050. BlackRock have noted that the report is TCFD-aligned and sets out the company's plans to meet their targets. Hence, BlackRock are supportive of the report as investors can benefit from climate-related disclosures in assessing the company's emissions.</p>	<p>BlackRock's proxy voting process is led by the BlackRock Investment Stewardship Team (BIS) which consists of regional teams. BlackRock use Institutional Shareholder Services (ISS), an electronic platform, to access voting research and to execute their vote instructions.</p> <p>BlackRock aims to engage with the company in the first instance to give management time to address the issue, however, they are not afraid to vote against companies where they believe the Board or management have not acted in the interests of long-term investors.</p>

<sup>1</sup> In cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted may be higher than unique proposals voted.

<p><b>LGIM. Asia Pacific (ex. Japan) Equity Index – GBP Hedged</b></p> <p>Voteable Proposals: 5,153</p> <p>Proposals Voted: 5,150</p> <p>Votes with management: 3,902</p> <p>Votes against management: 1,251</p> <p>Votes Abstained: 0</p>	<p><b>Hon Hai Prevision Industry Co., Ltd</b></p> <p>LGIM voted against the resolution to elect a Non-Independent Director.</p> <p>LGIM voted against a shareholder resolution to appoint a Board Chair/CEO position as LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM view these two roles as substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 have voted against all combined board chair/CEO roles.</p>	<p>LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies.</p> <p>All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>
<p><b>LGIM, Europe (ex. UK) Equity Index – GBP Hedged</b></p> <p>Voteable Proposals: 10,391</p> <p>Proposals Voted: 10,384</p> <p>Votes with management: 8,416</p> <p>Votes against management: 1,925</p> <p>Votes Abstained: 50</p>	<p><b>Total Energies SE</b></p> <p>LGIM voted against resolution to approve the company's Sustainability and Climate Transition Plan. LGIM recognised the progress that LGIM had made in respect to its net zero commitment, specifically around the level of investments in low carbon solutions, however they remain concerned of the company's planned upstream production growth in the short term.</p> <p>LGIM considers this vote to be significant as it is an escalation of the manager's climate-related engagement activity and public call for high quality and credit transition plans to be subject to shareholder vote.</p>	<p>LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies.</p> <p>All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>

<p><b>LGIM, Japan Equity Index – GBP Hedged</b></p> <p><b>Voteable Proposals: 6,267</b></p> <p><b>Proposals Voted: 6,267</b></p> <p><b>Votes with management: 5,562</b></p> <p><b>Votes against management: 705</b></p> <p><b>Votes Abstained: 0</b></p>	<p><b>Sumitomo Mitsui Financial Group, Inc.</b></p> <p>LGIM voted for a resolution to amend articles to disclose measures to be taken to make sure that the company's lending and underwriting are not used for expansion of fossil fuel supply or associated infrastructure.</p> <p>LGIM noted the proposal was warranted as LGIM expect the company boards to devise a strategy and pathway to meeting the 1.5°C Paris Agreement goal in line with the company's commitments and global energy scenarios. LGIM stated that is included but was not limited to stopping investments towards the exploration of new greenfield sites for new oil and gas supply.</p> <p>LGIM considers this vote to be significant as it reflects significant shareholder support for a climate shareholder resolution in the Japanese market.</p>	<p><b>LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies.</b></p> <p>All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>
<p><b>LGIM, North America Equity Index – GBP Hedged</b></p> <p><b>Voteable Proposals: 8,543</b></p> <p><b>Proposals Voted: 8,493</b></p> <p><b>Votes with management: 5,587</b></p> <p><b>Votes against management: 2,952</b></p> <p><b>Votes Abstained: 5</b></p>	<p><b>Alphabet Inc.</b></p> <p>LGIM voted for a resolution for the company to report on Physical Risk of Climate Change.</p> <p>LGIM voted in favour of the resolution as it applies to LGIM's expectations for companies to take sufficient action to tackle climate change.</p> <p>LGIM considers this vote to be significant as it is an escalation of the manager's climate-related engagement activity and public call for high quality and credit transition plans to be subject to shareholder vote.</p>	<p>LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies.</p> <p>All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.</p>

**LGIM,  
UK Equity Index**

Voteable Proposals:  
10,870

Proposals Voted: 10,863

Votes with management:  
10,268

Votes against  
management: 602

Votes Abstained: 0

**Capricorn Energy Plc.**

LGIM voted against a resolution to approve the NewMed Energy acquisition, NewMed is an Israeli energy Oil and Gas partnership in exploration, development, and production of natural gas and oil.

The vote followed several engagements between LGIM and the company board, with LGIM expressing widespread concerns with transactions proposed by the board including the NewMed transaction. LGIM maintained the consistent view that there was weak strategic rationale, and the acquisition would not lead to meaningful synergies.

LGIM considers this vote to be significant as it is in application of an escalation of engagement activity, demonstrating how LGIM's Investment Stewardship, Investment and Climate Solutions teams work together to push for a better financial and environmental outcome for its stakeholders.

LGIM's Investment Stewardship team uses International Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote in line with LGIM's policies.

All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they put in place a custom voting policy with specific voting instructions.

