Eni UK Limited Retirement Benefits Scheme Implementation Report

August 2024

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_Signed_March_2024_.pdf. 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 2024 for and on behalf of the Scheme including significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Over 12 months to 31 March 2024, the Trustees agreed a new de-risked investment strategy with the Employer. It was agreed to remove the strategic target to equities and reduce the target allocations to diversified growth and multi-asset credit in favour of investment grade focused absolute return bonds and buy and maintain credit with Legal & General Investment Management (LGIM). Changes to the strategy were implemented in Q4 2023. As at 31 March 2024, the Scheme is broadly in line with its strategic asset allocation.

- In addition, as part of the investment strategy review the liability hedge with LGIM was updated using cashflows from the 2021 actuarial valuation; the liability hedging strategy is designed to protect the Technical Provisions funding level surplus against movements in long term interest rates and inflation.

- As part of strategy discussions, the Trustees also agreed a formal collateral management policy to support the Scheme's collateral position in the event of collateral calls from the Scheme's liability hedging (LDI) mandate. The new 15% allocation to LGIM's Absolute Return Bond Fund has been designated as the first place (after cash in the LGIM Sterling Liquidity Fund) LGIM should take assets from should they need to call for additional capital to support the LDI hedge.

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.

Adopted by the Trustees of the Eni UK Limited Retirement Benefits Scheme on the 18 September 2024

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to 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 target a level of liability hedging in line with the Scheme's Technical Provisions funding level.	There have been no changes to policy over the reporting year.
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 manager.	The Trustees took several actions over the year to increase the liquidity and Liability Driven Investment ("LDI") collateral position. This included introducing allocations to the weekly dealt LGIM Maturing Buy and Maintain and the LGIM Absolute Return Bond Funds to provide further collateral and liquidity sources for the Scheme. These allocations were met via disinvestments from the M&G Alpha Opportunities Fund, which is monthly dealt, and the BlackRock Dynamic Diversified Growth Fund.
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 practical.	Over the year, a new investment strategy was agreed with the Employer, with the overall objective of reducing the ongoing risk in the strategy.

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.	Over the year, a new de-risked investment strategy was agreed with the Employer that introduced two new credit mandates to the portfolio, the LGIM Absolute Return Bond Fund and a LGIM Maturing Buy and Maintain Fund. These funds are actively managed by LGIM and predominately invested in bonds with an investment grade credit rating, diversified across different bond markets, geographies and sectors.
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 criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the managers on an ongoing basis.	Further detail provided later in this report
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.	There have been no changes to policy over the reporting year. 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.
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.	There have been no changes to policy over the reporting year.

Changes to the SIP

Over the period to 31 March 2024, the Trustee made no changes to the SIP, however post year end the SIP was updated to reflect changes to the Scheme's investment strategy. Details of the changes can be found below.

Updates to the SIP	
Date updated: April 2024	
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. Strategic changes de-risked the Scheme via the introduction of a 12.5% allocation to Buy and Maintain credit, to support the cashflow needs of the Scheme, and increased the allocation to Absolute Return Bonds. Both allocations form part of the Scheme's collateral waterfall.

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	• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks (including stewardship priorities).

Areas of assessment and ESG beliefs

Risk Management	1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme. 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of Trustees.
Approach / Framework	3. Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore, Trustees will receive training as required to develop their knowledge. 8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	9. Trustees will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 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.

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 2024. 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
BlackRock, BlackRock Dynamic Diversified Growth Fund Total Engagements: 331 Engagement themes covered: Environmental: 90 Social: 126 Governance: 20	BlackRock engage with companies via their Investment Stewardship team (BIS) to provide feedback and inform their voting decisions. Examples of significant engagements include: **Tesla Inc** BlackRock have engaged with Tesla Inc in a variety of ways over the reporting year to discuss matters across the ESG spectrum. Their engagements have largely focused on discussions that full under the broader theme of 'Social', covering Tesla's approach to human capital management, supply chain labour management and social risks/opportunities. The engagements are consistent with BIS's engagement priority of 'Company Impact on People' which looks to ensure portfolio companies are investing in the relationships that are critical to their ability to meet their strategic objectives and support their ability to deliver durable, long term financial performance. **L'Oréal** BlackRock engaged with L'Oréal on multiple occasions to discuss a range of sustainable social and governance business matters. BlackRock noted that engagements with L'Oréal covered the company's board composition and effectiveness, renumeration and a range of social matters which included social risks and opportunities. The engagements align with BIS's engagement priority of 'Strategy, Purpose and Financial Resilience' which looks to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as business dynamics change.
LGIM, Matching Core LDI Funds *Matching Core Fix Short* *Matching Core Fix Long* *Matching Core Real Short* *Matching Core Real Long* LGIM currently has not yet provided numerical data of	LGIM believe effective stewardship involves working with companies, regulators, policymakers, peers and other stakeholders around the world to tackle systemic issues, material risks and opportunities as well as collaboration with industry experts to identify future challenges.

engagement activity within the Matching Core LDI Funds.	
LGIM, Maturing Buy and Maintain Credit Fund 2025-29 Total Engagements: 152 Environmental: 92 Social: 67 Governance: 132 Other: 29	Examples of significant engagements include: **JPMorgan Chase** LGIM engaged with JPMorgan Chase, an American multinational finance company, as part of their Climate Impact Pledge due to its position as one of the world's top financial institutions, and its extensive influence across many sectors. JPMorgan committed to align its financing strategies with the Paris Agreement goals, publishing interim decarbonisation targets in 2021. They also pledged to achieve net-zero greenhouse gas emissions by 2050 or earlier and set interim targets for 2030 - part of their commitment to the Net Zero Banking Alliance. LGIM have actively participated in AGM voting to maintain pressure on the company in these areas. LGIM continues to engage with the company on their climate strategy, specifically under their Climate Impact Pledge engagement programme. **Toyota Motor Corp.** LGIM have engaged with Toyota, a Japanese multinational automotive manufacturer, since 2021, following concerns about cross shareholdings, board independence, and climate transition strategy. LGIM scrutinised Toyota's lobbying stance, given its influence in business federations and its alignment with 1.5°C global warming limit and have expressed ongoing concerns about board independence and supported a proposal for more transparency in climate lobbying, promoting policies aligned with the Paris Agreement. LGIM appreciated Toyota's transparency about its climate policy views but insisted more action was needed and anticipate Toyota reviewing trade association relationships following a 2023 AGM proposal. However, LGIM continue to urge for further detail on direct and indirect lobbying activity aligned with its climate goals, including a governance structure overseeing it and a clearer outline of Toyota's electrification strategy that aligns with their decarbonisation targets. LGIM's engagement continues with Toyota on both climate and governance issues.
LGIM, Absolute Return Bond Fund Total Engagements: 156 Environmental: 144 Social: 100 Governance: 39 Other: 47	Examples of significant engagements include: **Bayer AG** LGIM have extensively engaged with Bayer, a German multinational pharmaceutical biotechnology company, since 2019, with a key focus of meetings looking to understand Bayer's strategies for managing and funding ongoing litigation risks, including controversial legal tactics since Bayer's 2018 acquisition of Monsanto, an American agrochemical and agricultural business.

	Further difficulties had arisen since the appointment of the company's new CEO, who outlined a plan to restructure the business and streamline internal bureaucracy by a break-up of Bayer's pharmaceuticals businesses. LGIM expressed their concern that Bayer's resolution to its legal challenges should not inflict long-term damages to its balance sheet for short-term shareholder gains and encouraged Bayer to provide more clarity on its restructure, emphasising that any break-up of Bayer rendering a weaker pharmaceutical business would be counterproductive. Since LGIM's engagement Bayer has announced an update to its corporate strategy which does not currently plan for a break-up. LGIM are satisfied with current corporate strategy plans however should Bayer proceed with break-up plans deemed financially unsound by LGIM, LGIM will facilitate meetings with senior leadership or board to reiterate their stance. **Amazon** LGIM engaged with Amazon, an American multinational technology company, following allegations of the company obstructing their employees' unionisation efforts. LGIM's engagement focused on understanding how Amazon intended to enhance is disclosure regarding civil rights, equity, diversity, and inclusion in line with a shareholder resolution, in addition LGIM have continued to encourage Amazon to disclose their gender pay gap following a 2021 shareholder resolution. In the 2023 AGM, LGIM publicly declared their support and voting intentions for various ESG related shareholder proposals on their blog, including for a report on median and adjusted gender/racial pay gaps, a third party assessment of Amazon's commitment to freedom of association and collection bargaining, and an independent audit on working conditions. Since LGIM's engagement, there has been promising steps from Amazon, such as policy publications and a Human Rights Impact Assessment. Amazon have also agreed to conduct a racial equity audit and LGIM have partnered with a working group to support their engagement on pressuring Amazon on freedom of association and continue to monitor shareholder proposals that have attracted significant support. LGIM noted that though Amazon have shown limited receptivity to all proposals, they will continue to engage via use of their voting power.
M&G, **Alpha Opportunities Fund** Total Engagements: 10 Environmental: 7 Social: 1 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: **Brambles Finance Plc.** M&G engaged with Brambles Finance Plc, an Australian sustainable logistics business, to request the company

more explicitly link remuneration KPIs (Key Performance Indicators) to sustainability targets, to reflect the company's role as a promoter of, and practitioner in, the circular economy. M&G also encouraged the company to commit to net zero through the SBTi ('Science-Based Targets initiative'), as though they have a near term SBTi approved 1.5° target they have not yet committed to a net zero target through the initiative. In addition, M&G asked Brambles to consider reporting on specific milestones on the path to achieving the goals of its decarbonisation strategy, with specific ties to remuneration.

Brambles were receptive to M&G's recommendations and plan to discuss considerations for more granular milestones connected to its decarbonisation strategy with M&G's Head of Sustainability.

TotalEnergies SE.

M&G met with TotalEnergies, a global oil and gas producer, to reiterate their previous recommendation that the company should set an absolute Scope 3 target (encompassing emissions that are not produced by the company itself but by those it's indirectly responsible for up and down the value chain) for all emissions by the next Annual General Meeting in 2024. Additionally, they requested the company evidence how they were helping their customers to accelerate their own emissions.

TotalEnergies have set a net zero target for 2050 and a global absolute Scope 3 emissions target of 40%, however M&G have continued to challenge the target due to it only covering oil and there being no plans to expand this to cover all emissions. Relative to supporting their customers in their decarbonisation efforts, the company noted they will disclose progress in their Sustainability & Climate 2024 report. M&G will review the disclosures in the report and consider next steps for their engagements with the company on this matter.

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 multi asset fund manager, BlackRock, has provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024. Please note that categories may not sum to the number of total votable proposals due to rounding.

The Trustees have adopted the manager's definition of significant votes and have not set stewardship priorities. The manager has provided examples of votes they deem to be significant.

Fund name and Voting summary	Examples of significant votes	Commentary
BlackRock, BlackRock Dynamic Diversified Growth Fund [1] Voteable Proposals: 7,166 Proposals Voted: 6,762 Votes For: 6,103 Votes Against: 449 Votes Abstained: 111 Votes Withheld: 11	Examples of significant votes: **Shell, Plc** BlackRock voted in support of the management proposal of the Shell Energy Transition Progress, in recognition of the delivery to date against the company's Energy Transition Strategy. BlackRock believe that Shell's reporting and approach are aligned with their clients' long-term financial interests; therefore, BlackRock supported the management resolution. BlackRock voted against the shareholder proposal for Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement. BlackRock believe this proposal was overly prescriptive and unduly constraining on management's decision making and not in the financial interests of BlackRock's clients. **Broadcom, Inc** BlackRock engaged with Broadcom regarding their executive compensation practices. During discussions, issues such as the	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. 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.

[1] 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.

company's long-term incentive plan, the prolonged use of exceptional awards, and the lack of a clawback policy were highlighted. BlackRock noted that despite the company's successful performance, outpacing the S&P 500 by over 5.5% annually for the previous five fiscal years, the company's intention to institute a clawback policy was received positively.

However, BlackRock raised concerns over a proposal for a special equity award in fiscal year 2022. It was agreed that such special awards should be limited, and when given, several factors including the scale, structure, recipients, alignment with shareholder value, and the company's historical usage should be considered. The 2022 award, intended to honour exceptional achievement tied to strategic priorities that year and was valued at $10 million.

BlackRock deemed the company to have failed to disclose specific performance criteria for this award, resulting in a lack of clarity on how compensation policies align with corporate strategy and financial value. The performance period's limited length of one year also raised concerns. CEO succession planning was raised as one of the award's objectives, however BlackRock view this as a standard executive responsibility.

Additionally, a potential successor's departure to lead another company highlighted the elevated risk in relation to succession planning. BlackRock subsequently requested further information on the board's effective approach to succession planning going forward. Given these concerns, primarily centred on the emphasis on short-term targets and the lack of detailed information on compensation, BIS decided against supporting the say on pay proposal and the election of the members of the Compensation Committee.

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