Engagement Policy Implementation Statement

Snamprogetti Limited Retirement Benefits Scheme (the "Scheme")

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual statement called an Engagement Policy Implementation Statement ("EPIS") which outlines the following:

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").

- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

The EPIS has been prepared by the Trustees of the Snamprogetti Limited Retirement Benefits Scheme (the "Scheme") and covers the Scheme year 1 January 2021 to 31 December 2021.

Executive summary

Based on the activity over the year by the Trustees and its investment managers, the Trustees are of the opinion that the stewardship policy has been implemented effectively. The Trustees note that their investment managers were able to disclose adequate evidence of voting and engagement activity.

However, the Trustees expect improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. The Trustees recognise that the BlackRock Dynamic Diversified Growth Fund invests in certain asset classes or strategies where engagement may not be of primary relevance. Nevertheless, the Trustees have written to BlackRock post year end to ask them to provide fund level engagement examples, where relevant, as soon as practicable.

Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force from 31 July 2021.

The full SIP can be found here: https://pensioninformation.aon.com/Snamprogetti

- The Trustees recognise the importance of their role as a steward of capital, promoting corporate responsibility and ensuring the highest standards of governance. The Trustees recognise that ultimately this will help to protect the financial interests of the beneficiaries of the Scheme.

- The Trustees expect the investment managers to use their influence as institutional investors to carry out the Trustees' rights and duties as a shareholder including voting, engaging when appropriate with underlying companies to promote good corporate governance, accountability and positive change.

- The Trustees expect that the investment managers will provide details of their stewardship policy and activities on an annual basis, covering both voting and engagement actions.

- The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular, where votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the investment manager.

- Where voting is concerned the Trustees expect their investment managers to recall stock lending as necessary, in order to carry out voting actions.

- From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may (either with the investment managers or with underling investee companies) engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Scheme stewardship activity over the year

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. The reports include Environmental, Social & Governance (ESG) ratings and highlight any areas of concern, or where action is required.

The ESG rating system is for Buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process.

The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

In Q3 2021, Aon were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to be awarded signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon. For further details, please see the report submission https://www.frc.org.uk/getattachment/b9002ca0-3beb-40e6-8b09-375661ccd193/Aon-UK-Stewardship-Code-2020-Report.pdf

Voting and Engagement activity – Multi-asset funds

Over the year, the multi-asset investments held by the Scheme were:

BlackRock	Dynamic Diversified Growth Fund
Schroders Investment Management*	Diversified Growth Fund

**The Trustees remaining investment in Schroders was redeemed in full during May 2021*

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of significant votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale

BlackRock – Dynamic Diversified Growth Fund

<u>Voting approach</u>

Blackrock uses the ISS electronic platform to execute its voting instructions, manage client accounts in relation to voting, and facilitate client reporting on voting. BlackRock's voting decisions are informed by internally developed proxy voting guidelines, its pre-voting engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and updated to reflect changes in market standards, evolving governance practice, and insights gained from engagement over the prior year.

Over the reporting period, BlackRock increased its level of firm wide reporting by publishing more voting bulletins with detailed information and the rationale for its voting decisions. BlackRock deemed some of its votes to be significant based on criteria such as the level of public attention and the impact of the financial outcome.

The table below shows the voting statistics for the BlackRock Dynamic Diversified Growth Fund for the period to 31 December 2021.

Number of resolutions eligible to vote on over the period	11,644
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted, % that were voted against management	6.4%
Of the resolutions on which the fund voted, % that were abstained from	1.0%

Voting example

In April 2021, BlackRock voted in support of the management proposal from Vinci SA ("Vinci"), a French construction company, to hold an advisory shareholder vote on its environmental transition plan.

The purpose of the vote was to encourage shareholders to support the company's ambition and strategy. BlackRock voted in favour of the proposal since it provided a clear roadmap towards Vinci's stated climate ambitions and targets, a topic which BlackRock had been engaging with Vinci on for some time.

BlackRock will continue to monitor the company's progress on the environmental transition plan and hold its directors responsible by voting against the re-election of board members should it have concerns with planning, implementation, or disclosures.

Engagement approach

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on the governance and sustainability issues it considers to be the most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. The BlackRock Investment Stewardship ("BIS") team's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, and company impacts on people.

More information can be found here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

At the time of writing, BlackRock did not provide fund level engagement examples. The Trustees' investment adviser, Aon, will raise this issue with BlackRock at their next meeting. The Trustees have also written to BlackRock post year end to outline their expectations with respect to reporting engagement examples at a fund level going forward. The example provided below is at a firm level, i.e. it is not specific to the fund the Scheme is invested in.

Engagement example (firm level)

In 2021, BlackRock engaged with BP Plc ("BP"), an oil and gas company, to discuss a shareholder proposal for the company to set and publish targets that are consistent with the goals of the Paris Climate Agreement. BlackRock encouraged BP to regularly monitor, review and report on its greenhouse gas ("GHG") emissions across the company's operations and on its use of its energy products.

BlackRock's support for this resolution signals its belief that BP should continue to make progress in this area, both from a strategy perspective and in demonstrating the credibility of its targets. BlackRock believes that BP is already substantially aligned with the resolution and should continue to reduce its GHG emissions. BlackRock believes that progress will be essential to achieving support for the transition strategies of large energy companies.

Schroders Investment Management ("Schroders") – Diversified Growth Fund

Voting approach

Schroders uses research from proxy voting advisers ISS and the Investment Association's Institutional Voting Information Services. To reach a voting decision, Schroders uses its own voting policies as well as company reporting, company engagements, engagements with stakeholders and the views of portfolio managers and analysts. Schroders' own research is also integral to the final voting decision; this is conducted by its financial and ESG analysts. For contentious issues, Schroders' Corporate Governance specialists seek the views of the relevant analysts and portfolio managers to better understand the corporate context. Schroders reviews its voting practices and policies during ongoing dialogue with its portfolio managers.

Schroders considers a significant vote to be those against company management. Schroders will oppose management if it believes that it is in the best interests of shareholders and clients. However, as an active fund manager, Schroders usually looks to support the management of the companies that it invests in.

Further information can be found in Schroders' ESG policy : https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf

The table below shows the voting statistics for Schroder's Diversified Growth Fund for the period to 31 December 2021.

Number of resolutions eligible to vote on over the period	1728
% of resolutions voted on for which the fund was eligible	93.6%
Of the resolutions on which the fund voted, % that were voted against management	5.3%
Of the resolutions on which the fund voted, % that were abstained from	0.1%

At the time of writing, Schroder provided limited fund level information in its voting and engagement examples. The examples provided below are at a firm level, i.e. they are not specific to the fund the Scheme is invested in. The Trustees redeemed their remaining holding in Schroders during May 2021 as part of a restructure of the Scheme's assets.

Voting example (firm level):

In May 2021, Schroders voted against a management proposal for Total SE, an oil and gas company, to approve the company's sustainable development and energy transition strategy.

Schroders decided to vote against the strategy on the basis that parts of the emissions strategy were not ambitious enough. The strategy also did not include any absolute reduction targets between 2030 and 2050; Schroders considers disclosure of these targets to be best practice within the sector. Lastly, the company has failed to provide a voting schedule for investors to vote on and track the progress of the company's transition plan. Schroders did not disclose the outcome of this vote.

Engagement approach

Schroders engages with companies to seek additional understanding, share its expectations, and/or to seek change that will protect and enhance the value of Schroders' investments. Schroders focuses on issues that are material to the value of a company's shares or debt instruments, which includes a full range of stakeholder issues. The governance structure and management quality that oversee stakeholder relationships are areas of key focus for its engagement discussions.

Schroders' engagement activities are undertaken by its portfolio managers, fixed income and equity investment analysts and the sustainable investment team. Schroders generally begins an engagement with a process to enhance its understanding of the company and help the company to understand Schroders' position on a particular topic. Schroders tracks progress over time and where there is no meaningful progress, Schroders will escalate; this can include voting against management at a company's annual general meeting.

Engagement example (firm level)

Schroders has engaged with banks on their fossil fuel financing. Schroder's credit team, along with several equity teams, selected around 50 banks in Europe, North America and Asia for deeper analysis and engagement. Following each engagement, Schroders highlighted three to four objectives they would like the bank to work on over the next 12 months. Examples include:

- Development of a commitment to align the bank's financing activities with the goals of the Paris Agreement, an international treaty on climate change.

- Reviewing and strengthening the bank's fossil fuel policies in line with the latest science and/or good practice.

- Development of the climate-related risk reporting, including disclosure of climate metrics.

For banks that have already made progress in these areas, Schroders' discussions focused on the robustness and evolution of their measurement and target-setting methodologies. Schroders said it is still too early to assess the impact of these discussions, however they have had a good response from banks so far. Out of the 50 banks contacted over the last 6 months, they had met with 21 by the end of March 2021.

Materiality considerations

The EPIS does not disclose stewardship information on the Scheme's investments in Legal and General Investment Management ("LGIM") Liability Driven Investments Funds or LGIM's Cash Buffer Fund (consisting of Synthetic Credit and Cash) due to the limited materiality of stewardship of those asset classes.