# Snamprogetti Limited Retirement Benefits Scheme (the "Scheme")

## Statement of Investment Principles (the "Statement")

### Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is January 2024. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. A separate document, the Investment Policy Implementation Document ("IPID"), detailing the specifics of the Scheme's investment arrangements, is available upon request.

### Consultations made

The Trustees have consulted with the principal employer, Saipem Limited (the "Employer"), prior to writing this Statement and will take the Employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited ("Aon Advisory" or "Investment Advisor"), who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

### Objectives and policy for securing objectives

The Trustees' primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;

- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and

- "security objective" – to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of the Employer's covenant when determining the expected improvement in the solvency position of the Scheme.

## Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The Trustees will endeavour to ensure that the assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment with the aim of ensuring the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held, and diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as derivatives contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

## The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The asset allocation set out in the IPID was implemented after consideration of the actuarial valuation with an effective date of 31 December 2022. A broad range of available asset classes have been considered.

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A broad range of available asset classes and implementation options (e.g. single manager funds with Legal & General ("LGIM") and multi manager funds with Aon Investments Limited ("AIL")) has been considered. This includes Government bonds, Cash, Credit, and Multi Asset Strategies which access a diversified mix of asset classes including equities, credit, and alternative assets.

## Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of investment managers on a quarterly basis via investment monitoring reports prepared by their professional advisors and investment managers together with guidance from their investment advisor. The Trustees have appointed Aon Advisory to alert them on any matters of material significance that might affect the ability of each investment manager to achieve its objectives.

## Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The investment managers are responsible for the appointment and monitoring of custodians. The custodians are independent of the Employer.

## Expected returns on assets

Based on Aon Advisory's capital market assumptions, the Trustees' long-term expectations are as follows:

(i) To achieve a net return on the managed growth strategy portfolio component of 4% per annum (net of fees) in excess SONIA

(ii) To achieve a net return on the low-risk bonds strategy portfolio component of 1% per annum (net of fees) in excess of SONIA

(iii) For the cash and synthetic credit strategies to provide a return in line with their respective benchmark.

(iv) For the LDI portfolio to match the movements of the Scheme's liabilities on an exposure basis.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment managers.

## Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. The majority of the assets held are realisable at short notice through the sale of units in pooled funds.

## Environmental, Social and Governance considerations

### General

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments.

At present, the Trustees do not proactively seek the views of members and beneficiaries of the Scheme in relation to ESG factors or non-financial factors such as the present and future quality of life of the members and beneficiaries of the Scheme. However, if members express a view then the Trustees will consider this in relation to their policy on ESG and non-financial factors. The Trustees will periodically review this policy.

The Trustees acknowledge that financially material considerations include environmental, social and corporate governance (ESG) factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the investment managers to include ESG considerations in the selection, retention and realisation of investments. Any decision should not be based on personal, ethical or moral judgments in isolation but should consider the sustainability of business models that are influenced by them.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities;

- As part of ongoing monitoring, the Trustees will use information, where available, provided by Aon Advisory of their assessment of the investment managers against ESG factors;

- On a periodic basis, the Trustees will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored;

## Arrangements with Investment Managers

The Trustees monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment advisor.

The Trustees receive reports and verbal updates from the investment advisor on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the investment managers over three-year periods.

The Trustees share the policies, as set out in this SIP, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new asset manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustees meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance. The Trustees do not expect their investment managers to take particular account of non-financial performance in their decision making.

Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the investment manager but could ultimately replace the investment manager where this is deemed necessary. There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

## Costs and Performance

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets.  The

Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by the Scheme's investment managers that can increase the overall cost incurred by their investments.

**Evaluation of Asset Managers performance and remuneration**

The Trustees assess the performance of their investment managers relative to their respective objectives on a quarterly basis via consolidated investment monitoring reports from Aon Advisory and updates from the investment managers. The Trustees also review the remuneration of their investment managers regularly to ensure these costs are reasonable in the context of the kind and balance of investments held.

**Portfolio turnover costs**

The Trustees are aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Scheme's underlying investments through the information provided by their investment managers. The target portfolio turnover and turnover range is monitored annually with the assistance of the Scheme's investment advisor.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a higher level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends. Where the Trustees monitoring identifies a lack of consistency the investment manager will be reviewed.

The Trustees are supported in their cost transparency monitoring activity by their investment advisor.

## Stewardship - voting and engagement

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 regularly review the suitability of the Scheme's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers. The Trustees accept responsibility for how managers steward assets on their behalf. If an incumbent investment manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the investment manager and seek a more sustainable position but may look to replace the investment manager.

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.

For the AIL delegated multi manager pooled funds, AIL considers active ownership – engagement and voting – to be a key part of the overall integration of ESG considerations into portfolio management. AIL carries out regular engagement with the appointed underlying managers in its portfolios via business-as-usual meetings with asset class specialist researchers, which may be broader in nature and might include ESG integration more generally, or via its engagement programme where the focus is on engagement with managers on core topics of investment stewardship, such as climate change, biodiversity loss and modern slavery. The Trustees believe these are important areas, which may have the potential to significantly impact the value of the Scheme investments, so support the themes within AIL's engagement programme as the Trustees believes this is in the members best interests. The Trustees will continue to receive regular updates from AIL on its engagement activities.

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 Trustees will engage with the investment managers where necessary for more information.

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.

## Additional Voluntary Contributions (“AVCs”) Arrangements

Some members have historically obtained further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in the IPID.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

## Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustees also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice received.

**Approved and agreed by the Trustees of the Snamprogetti Limited Retirement Benefits Scheme**