

Repsol Resources UK Pension and Life Scheme

Implementation Statement – 12 month period to 31 March 2024

Background

The Department for Work and Pensions (DWP) has increased regulation to improve the disclosure of financially material risks. The regulatory changes recognise that Environmental, Social and Governance (ESG) factors are financially material to the Scheme, stating that UK pension scheme trustees are required to consider how these factors are managed as part of their fiduciary duty.

The regulatory changes require that the Trustee details its policies in relation to financially material risks and stewardship in its Statement of Investment Principles (“SIP”), and to demonstrate its adherence to these policies in an Implementation Report.

Statement of Investment Principles

The Scheme’s Statement of Investment Principles (“SIP”) was updated in June 2023 to reflect the full Scheme buy-in with Rothesay in April 2023.

The latest SIP can be found online at the following address:

<https://www.repsolresourcesuk.com/files/Repsol-Sinopec-Pension-and-Life-Scheme-SIP-June-2023.pdf>

Implementation Report

This implementation report is to provide evidence that the Trustee continues to follow and act on the principles outlined in the SIP. The Implementation Report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP;
- the Trustee’s current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks; and
- the extent to which the Trustee 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.

Over the accounting year, all assets were invested in either fixed income or money market instruments. These funds do not provide voting rights, as such the Scheme had no voting history over the accounting year.

Summary of key actions undertaken over the Scheme’s reporting year

Over the accounting year, the Trustee disinvested the Scheme’s UK government bond (“gilt”) portfolio, which matched Rothesay’s pricing basis (as determined by a gilts-based “price lock” portfolio), with the redemption proceeds transferred to Rothesay to purchase a bulk annuity “buy-in” policy.

Following the full disinvestment of the Scheme’s gilt portfolio and subsequent transfer of redemption proceeds to Rothesay, the Scheme retained residual assets. The Trustee invested these in a liquidity fund, which invests in money market instruments with the aim to generate a return in excess of prevalent market “cash” yields.

Implementation Statement

This report demonstrates that the Trustee of the Repsol Sinopec Pension and Life Scheme has adhered to its investment principles and its policies for managing financially material considerations, including ESG factors and climate change.

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions over reporting period
Investment	The risk that the value of the Scheme's remaining assets deteriorates due to the assets underperforming.	Investing the Scheme's assets in a low-risk fund, which prioritises capital preservation and diversification of underlying money market exposures and counterparties.	The Scheme's remaining assets are invested in a liquidity fund, which is a low-risk, money market fund with a focus on capital preservation.
Liquidity	Difficulties in releasing capital when required without adversely impacting the fair market value of the investment.	To invest only in liquid assets such that the Trustee can disinvest the Scheme's assets as and when required.	The Scheme's remaining assets are invested in a daily dealt funds that are deemed to have negligible liquidity risk.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To diversify this risk by investing in money market instruments with significantly high credit ratings, across a diverse base of counterparties.	The Scheme's remaining assets are invested in a money market fund with a focus on capital preservation.
Credit	Default on payments due as part of a financial security contract.		The Scheme's remaining assets are invested in a money market fund which is diversified across counterparties and invests in high quality paper.
Environmental, Social and Governance (ESG)	Exposure to ESG 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:	No change to policy over accounting year.

		<ol style="list-style-type: none"> 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 <ul style="list-style-type: none"> • ESG specific reporting • UN PRI Signatory • UK Stewardship Code signatory <p>The Trustee monitors the managers on an ongoing basis.</p>	
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.	No change over accounting year

ESG summary and engagement

Over the accounting year, given the nature of the Scheme's residual assets are held in money market funds which have limited ESG integration, the Trustee did not undertake a formal ESG review, either directly or indirectly via Isio as the Scheme's investment adviser.

Isio continued to engage with the Scheme's investment managers on their ESG policies to ensure they meet a set of minimum criteria, as defined by Isio.

Engagement activity

Over the accounting year, the Scheme's assets were managed solely by Insight.

At a firm level, Insight are key collaborators within a number of ESG initiative groups and have clear goals for integrating ESG into investment decision making.