



ENW (ESPS) Pensions Trustees Limited
Electricity North West, Borrton Street,
Stockport, England
SK1 2JD

Telephone: +44 (0) 1925 846999
Fax: +44 (0) 1925 846991
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

ENW Group of the ESPS

Environment, Social and Governance Policy

1. Introduction

This Environment, Social and Governance Policy (“the Policy”) has been prepared by the Trustee of the ENW Group of the ESPS (“the Group”) to set out its views on Environmental, Social and Governance (“ESG”) factors. It considers how they are addressed whilst meeting the overall objectives of the Group.

The Policy exists as a supplemental document to the Group’s Statement of Investment Principles (“SIP”) and Climate Delegation Framework, formalising the Trustee’s ESG beliefs and its policy on how ESG factors should be integrated into investment decision making. The ESG Policy will be made available to members upon request.

The Trustee defines Responsible Investment (“RI”) in line with the UN-backed Principle for Responsible Investing (“PRI”), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

2. Rationale for the Policy

The Group is a large institutional investor, investing on behalf of its members. As part of its fiduciary duty, the Trustee recognises the need for the Group to be a long-term responsible stakeholder. The Trustee aims to ensure that value for its members is always delivered through long-term financial returns generated in a way that is responsible. The Trustee also believes ESG risk factors, including but not limited to climate change, may have a material financial impact on the Group.

The Group’s Sponsor, Electricity North West (“the Company”) is committed to achieving the highest standards of environmental performance. Recognising the importance of having a Policy aligned to that of the Company, the Trustee has considered the Company’s policies when formulating their own Policy. The Trustee will continue to engage with the Company on the Company’s policies and will consider any future policies in the context of the Group’s investment and ownership decisions.

A priority for the Company is to support a low carbon future. The Company's responsibility framework 'Transforming our communities', launched in January 2019, breaks down the purpose of their ESG policies into three areas:

- People and Partners – Concerns the welfare of people it employs and those it works in partnership with.
- Environment – Aims to help the UK meet its carbon reduction targets.
- Communities – Concentrates on ensuring the Company's activities contribute to a healthy and successful North West.

A comprehensive library of the Company's views is available on the Company's website.

The wider ESG views and initiatives of ESPS will also be considered as part of the Group's Policy.

3. The Trustee's ESG beliefs

The Trustee has considered and discussed ESG issues to establish their own beliefs to help underpin investment decision making having regard to an appropriate time horizon for the Group.

The following statements summarise the ESG beliefs held by the Trustee:

Risk Management

- i. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.
- ii. The Trustee recognises that climate change risk poses significant investment risk that could become incrementally more severe over time.
- iii. The Trustee believes that ESG integration leads to better risk adjusted outcomes and want a positive tilt to the investment strategy.
- iv. The Trustee will consider the ESG values and priority areas of the Company.

Investment Approach/Framework

- i. The Trustee wants to understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.
- ii. The Trustee believes that sectors which demonstrate particularly bad ESG characteristics may underperform. Where possible the investment strategy will seek to avoid these sectors.

Voting & Engagement

- i. ESG factors are relevant to all asset classes, whether equity or debt investments, and managers have the responsibility to engage with companies on ESG factors.
- ii. The Trustee will seek to understand to understand the impact of voting and engagement activity within their investment mandates.
- iii. The Trustee believes that engaging with managers is more effective to initiate change than disinvesting and so will seek to communicate key ESG actions to the managers in the first instance.

Reporting & Monitoring

- i. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training to develop and maintain their knowledge of these factors.
- ii. The Trustee will seek to monitor key ESG metrics to understand the impact of their investments.

Collaboration

- i. Investment managers should be actively engaging and collaborating with other market participants to raise the ESG investment standards and facilitate best practice as well as sign up and comply with common codes such as UN Principles for Responsible Investment (“PRI” – defined further below), Task Force on Climate-related Financial Disclosures (“TCFD”) and the UK Stewardship Code.
- ii. The Trustee should sign up to a recognised ESG framework to collaborate with other investors on key issues.

The Principles of Responsible Investment (“PRI”) is a proponent of Responsible Investment and works to consider the investment implications of ESG factors on investment and ownership decisions. The Trustee will consider all six of the Responsible Investment principles from the PRI’s voluntary code when making investment decisions. These principles are outlined in the Appendix to this document.

4. Impact of the Policy on investment decision making

The Trustee decides the Group’s investment strategy and asset allocation. This includes high-level strategic decision making into which asset classes should be invested in.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers – e.g. holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Fund’s investment managers, the Trustee, with the assistance of Isio, considers the manager’s expertise, track record and stated policies and frameworks on ESG related issues. Going forward, as part of the initial and ongoing due diligence of the Fund’s investment managers, the Trustee will assess and monitor their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

5. Implementing the Policy

The Trustee will implement the policy through the following steps:

- i. The Trustee will continue to develop their understanding of ESG factors through annual training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
- ii. The Trustee’s ESG beliefs will be formally reviewed on an ongoing basis as required.
- iii. The Trustee, with support from its investment consultant, will contribute to the Scheme-level Task Force on Climate-related Financial Disclosures (“TCFD”) report.
- iv. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.
- v. The Trustee, with support from Isio, will carry out regular reviews of the investment managers’ approaches to and effectiveness in integrating ESG factors.

- vi. The Trustee will receive any relevant climate-related updates from the investment consultant, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
- vii. Following the initial review, actions will be identified where investment managers are misaligned with the Trustee's ESG beliefs. Isio will engage with each manager on the Trustee's behalf to remedy these issues where possible.
- viii. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.
- ix. With guidance from Isio, the Trustee will seek to obtain and incorporate climate change metrics from its investment managers as TCFD aligned disclosures are required.
- x. The Trustee, with support from Isio, will publish an annual report which outlines the extent to which the Group has followed its engagement policies and voting behaviours in the form of an Implementation Statement.
- xi. The Trustee will regularly monitor the Isio defined ESG ratings of its investment managers and will carry out regular reviews of the investment managers approach to ESG through ESG impact assessment reports and progress reports prepared by Isio.
- xii. The Trustee to consider signing up to the UNPRI or the UK Stewardship Code.

For bespoke/segregated mandates, the Trustee has greater influence over the set-up of the investment mandate (e.g. guidelines and restrictions). This gives the Trustee flexibility to directly implement the Policy for this proportion of the Group's assets.

Assets held in pooled funds (whereby the Group invests alongside other investors) have a more limited scope to implement the Trustee's Policy. The investment mandate of the pooled fund will determine the extent to which ESG factors are considered (even in passive funds, managers can engage with underlying assets). The Trustee recognises there is little scope to alter these investment mandates and therefore will focus on incorporating ESG criteria into the selection process when appointing such managers.

6. Monitoring and reviewing the Policy

The Trustee will monitor the Group's assets against the Policy on an ongoing basis, with the assistance of Isio (for instance through investment managers joining Trustee meetings). As the ESG beliefs of the Company and wider ESPS group change over time, the Policy will be updated to reflect these changes. When reviewing the Policy, the Trustee will take account of any significant developments in the market to ensure they are taking a best practice approach.

7. Communicating the Policy to members

The Trustee operates an open and transparent relationship with its members and the Company. Recognising the topical importance of an ESG policy, the Trustee will continue this relationship communicating the Policy to its members frequently, for example, through member newsletters, annual roadshows and making the policy readily available to members.

Signed: Mike Kay
Trustee Director

Chris Dooley
Trustee Director

Date: 14/03/2024

14/03/2024

Appendix

A. What are the UN-backed Principles for Responsible Investment (“PRI”)?

The PRI is a proponent of responsible investment.

It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

Source: www.unpri.org

B. What are the six UN-backed Principles for Responsible Investment?

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

C. What are Environmental, Social and Governance (“ESG”) factors?

- Environmental factors relate to how business activities produce emissions and utilise resources that have an impact on the environment. Examples include:
 - Climate change and carbon emissions
 - Resource depletion, including water
 - Waste and pollution
 - Deforestation
- Social factors relate to how a business interacts with key societal stakeholders it interacts with. Examples include:
 - Working conditions, including slavery and child labour
 - Local communities, including indigenous communities
 - Conflict
 - Health and safety
 - Employee relations and diversity

- Governance factors relate to corporate structuring and matters at the boardroom level of a business. Examples include:
 - Executive pay
 - Bribery and corruption
 - Political lobbying and donations
 - Board diversity and structure
 - Tax strategy

Source: www.unpri.org

D. ESG Approach

As per the spectrum of ESG approaches chart presented below, the Trustee wishes to integrate ESG risk analysis into investment decision-making, whilst pursuing certain “impact” opportunities that generate competitive financial returns whilst also providing positive and measurable environmental or societal impact.

	Traditional ESG factors not considered.	Fully Delegated “Light Touch” Approach Reliance on investment managers’ RI Policies.	Values-based/ Exclusionary/ Ethical Investing Reflect core values of an investor. Avoids sectors that are controversial.	Sustainable Investing “Integrated Approach” Manages ESG risks whilst seeking positive ESG outcomes.	Impact Investing Investing in companies, funds or infrastructure that provide solutions to social and environmental issues that look to deliver market rate financial returns.	Impact Only/ Philanthropic Investing Impact investing, but market returns are a lower priority.
ESG Impact						
Financial Impact		Focus on delivering long-term returns				Below market returns
Objectives		ESG risks managed			Pursues positive ESG outcomes	
					Seeks specific ESG targets	