

ELECTROCOMPONENTS GROUP PENSION SCHEME (THE “SCHEME”)

ESG Policy

Introduction

This policy sets out how the Scheme manages ESG risks and opportunities. It outlines the key principles that have been established, and the Trustee’s approach to considering sustainability risk and other Environmental, Social and Corporate Governance (ESG) factors.

The Scheme does not directly manage its investments and the investment managers have discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. These guidelines may include ESG considerations.



Beliefs

The Trustee believes that a sustainable investment approach is more likely to create and preserve long-term investment capital and, more specifically, that:

- ESG factors can have a material impact on long-term risk and return outcomes and should be integrated into the investment process.
- Good stewardship and engagement can create and preserve value for companies and markets as a whole, hence having the potential to benefit Scheme members in the long term.
- Climate change poses a systemic risk, and accordingly the Trustee will consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes.
- ESG factors will affect more than just the asset portfolio. As such, the Trustee views ESG factors through an integrated risk management lens, including investment, funding, and covenant considerations.

Approach

The Trustee embeds ESG considerations within the Scheme’s management framework as detailed below. The “process” stage is where the Trustee seeks to move from principles to practice.

Beliefs 	The investment beliefs set out above guide the Trustee’s policy. To arrive at these beliefs, the Trustee has undertaken training on ESG and climate change, and has participated in an ESG beliefs survey.
Policy 	Alongside the statutory disclosures required in the Statement of Investment Principles, the Trustee has established this policy as part of its governance framework on ESG considerations. The Trustee will also embed ESG considerations within investment manager and other third party policy documentation, where appropriate.
Process	The Trustee considers ESG matters in its processes in the following ways: <ul style="list-style-type: none">• Investment strategy (this may include scenario analysis, where relevant).

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- Investment manager selection and review.
- Engagement with the investment managers on their overall ESG policy and strategy, including identification of any areas for improvement and / or new ideas.
- Mandate guidelines for the buy & maintain credit portfolio, including exclusions, where scheme-specific exclusions will be established aligned to our beliefs and policies.
- Consideration of thematic and impact investing should this be appropriate in the context of the Scheme’s broader objectives.
- ESG stewardship and engagement with the investment managers.
- Covenant assessment and monitoring.
- Liability risks and the impact of climate change in particular on the funding position.
- Member communication and engagement strategy.
- Consideration of targets, including the aspiration to meaningfully reduce emissions within the asset portfolios over an appropriate time period.

Governance



The Trustee has put in place monitoring arrangements to assist with the governance of ESG risks. These monitoring arrangements include:

Quarterly

- ESG ratings and related investment manager news updates published by the investment consultant.

Prior to each investment manager’s presentation to the Trustee or IRSC

- Climate change analytics including carbon footprint and carbon intensity measures.
- Data quality, assessed by % portfolio coverage.
- Engagement examples.
- Controversial sector allocations.

Annually

- Engagement reporting including:
 - Overview of engagement examples including outcomes achieved..
 - Investment manager engagement policies.
- ESG monitoring reporting including:
 - Research views on the Scheme’s investment managers provided by the investment consultant.
 - Analysis of the investment managers’ ESG ratings including benchmarking against suitable peer group data.

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	<ul style="list-style-type: none"> ○ Assessment of the Trustee’s broader ESG integration including comparison against the year prior and broader benchmarks covering schemes of a similar size or sector. ○ Monitoring of the Scheme’s exposures to controversies and UN Global Compact violators. ○ Confirmation of the investment managers’ firm-wide commitments to ESG policies, projects and initiatives. <p>Maintaining Trustee knowledge and understanding on ESG matters forms a core component of the Scheme’s ongoing training plan.</p>
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Climate Change

The Trustee considers that limiting global average temperature increases this century to “well below two degrees Celsius”, as per the 2015 Paris Agreement, is aligned with better economic outcomes for investors. The Trustee also believes that climate change poses a systemic risk, with financial impacts driven by two key sources of change. The first is the physical damages expected from an increase in global temperatures and the second is the transition to a low-carbon economy, required to mitigate the severity of physical damages.

The Trustee is considering the application of the Taskforce on Climate-Related Financial Disclosures (TCFD) framework to guide their overall approach towards climate-related financial risks and opportunities.

Sponsor Alignment

The Trustee recognises that ESG and climate change matters carry reputational considerations and the Trustee is therefore keen to ensure it has a strong understanding of the Sponsoring Company’s position on ESG and climate change. The Trustee also intends to align with the Sponsoring Company in this respect where appropriate.

Policy Governance

Key responsibilities for the maintenance of this policy are set out in the table below:

Party	Role
Trustee	Owner of policy, including setting and maintenance
Investment and Risk Sub-Committee	Monitor against policy
Employer	The Employer will share with Trustee its own approach to ESG to be taken into consideration
Advisers	Provide input to policy including advice on best practice
Investment Managers	Provide input to strategy and portfolio design Implement policy (where relevant)

The policy will be shared with the Employer, the advisers, and the investment managers.

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This policy will be reviewed at least annually, or more frequently if:

- Meaningful change is made to the integration of sustainability risks into the Trustee's investment and funding strategies.
- Relevant legislation or regulation requirements change.

For and on behalf of Electrocomponents Pension Trustees Limited, as Trustee of the Electrocomponents Group Pension Scheme.

May 2022