



Responsible Investment ESG Beliefs Survey

Electrocomponents Group Pension Scheme

April 2022

welcome to brighter



Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2022 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

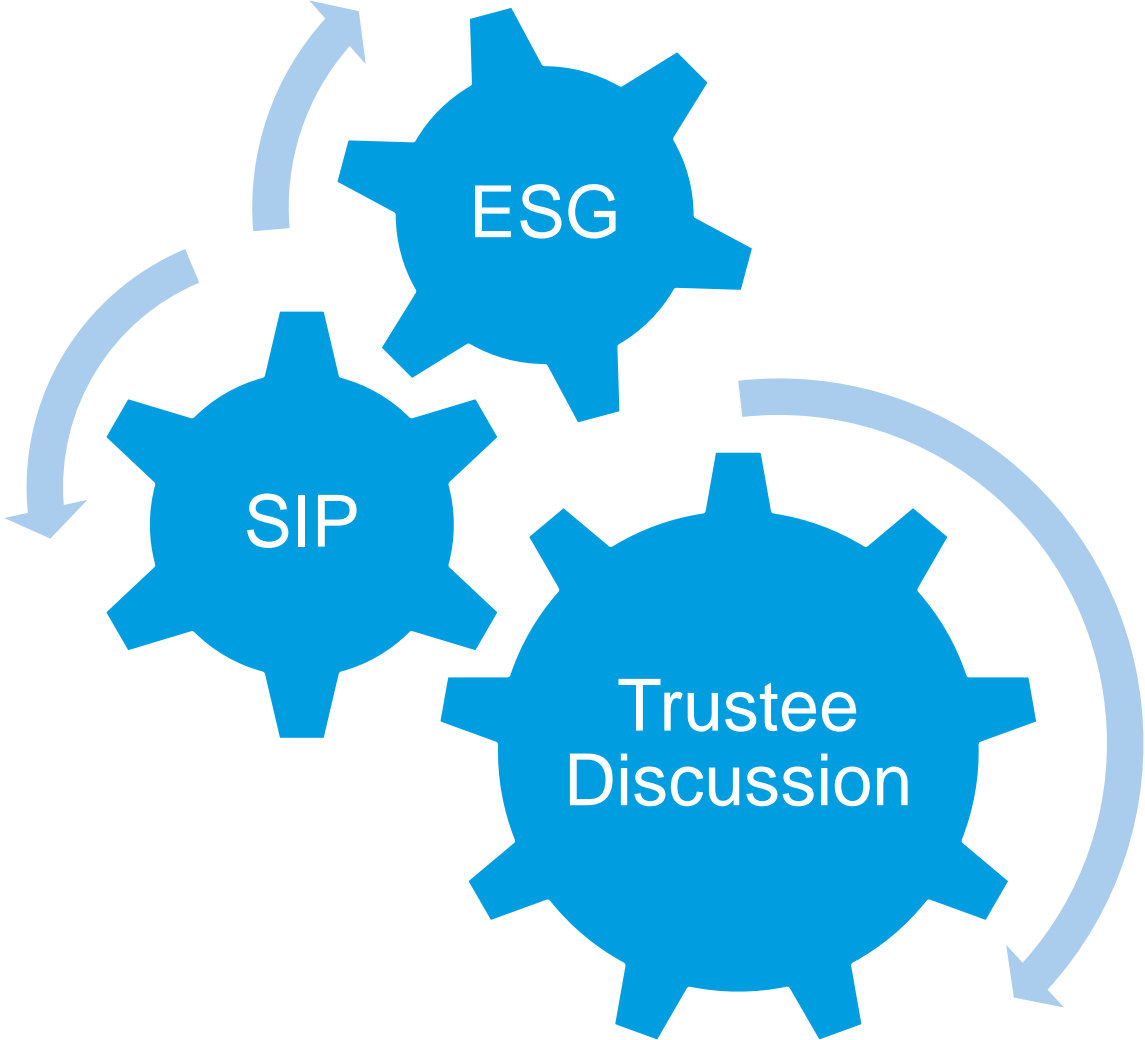
A woman with dark hair pulled back, wearing a dark blue polo shirt with white piping, is looking down at a white tablet she is holding. She is in a bright office environment with large windows in the background. A large blue circle is overlaid on the left side of the image, containing the word "Introduction" in white text.

Introduction

Overview

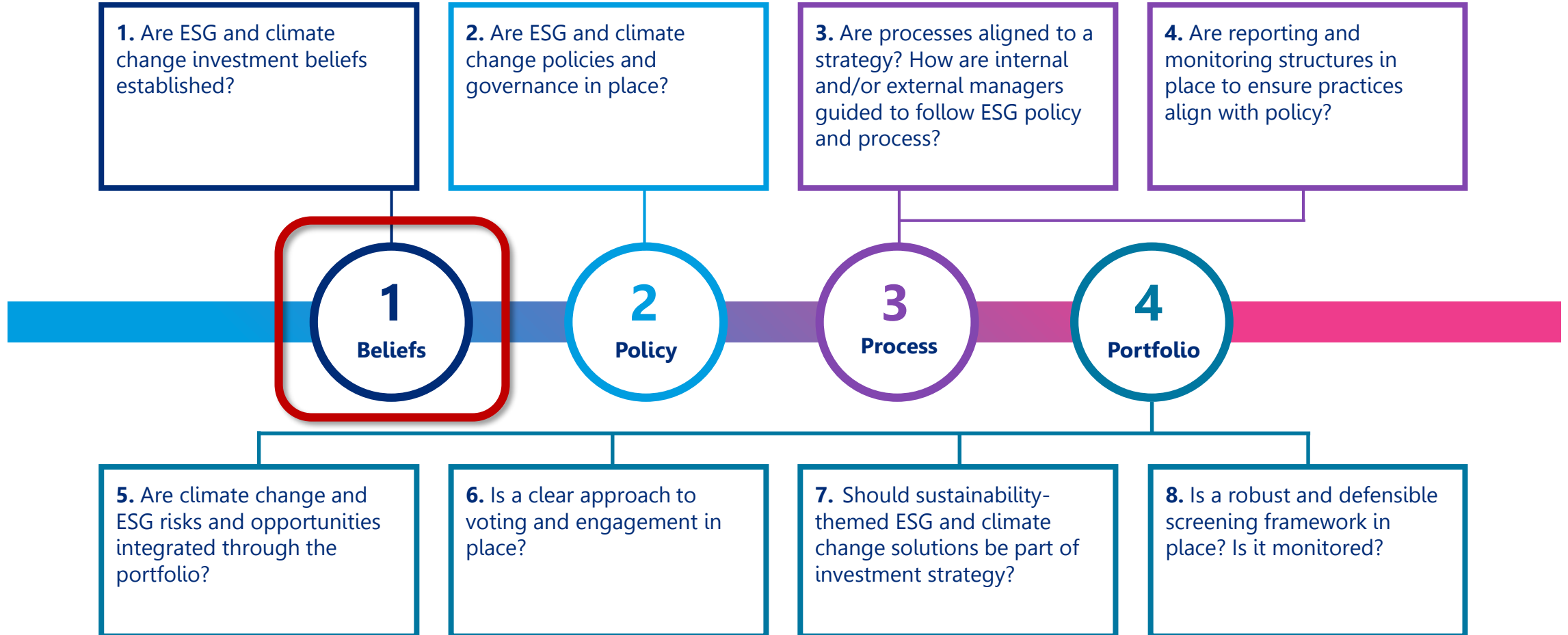
- **We have conducted a survey of Environmental Social and Governance (ESG) investment beliefs for the Trustees of the Electrocomponents Group Pension Scheme.** The survey was conducted in March/April 2022, with all 7 Trustees having taken part in the survey. The survey aims to update the previous ESG investment beliefs survey conducted in May 2019, and builds on the Responsible Investment Total Evaluation exercise reviewed at the November 2021 IRSC meeting.
- The survey focused on the following areas:
 - ❑ **Knowledge and understanding** – baseline Trustee knowledge and understanding of ESG issues
 - ❑ **Setting beliefs** – determine which beliefs are important to the Trustee
 - ❑ **Sponsor alignment and member views**
 - ❑ **Implementation approaches** – identify preferred approaches to implementing beliefs.
- In the following slides, we provide a summary of the survey results and highlight areas of consensus agreement, as well as areas for further discussion.
- We then consider potential actions that the Trustee could consider taking forwards.

Today's Session



ESG Integration

Mercer's Sustainable Investment Pathway



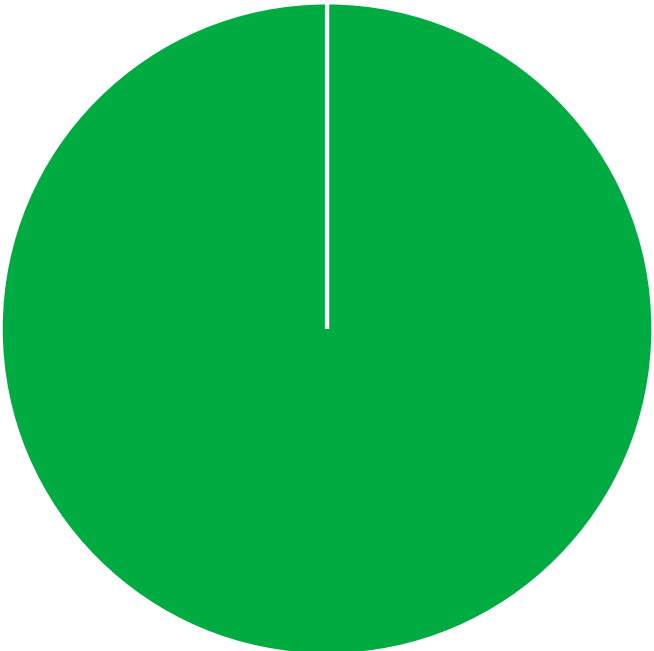
A woman with dark hair pulled back, wearing a dark blue polo shirt with white piping, is looking down at a white tablet she is holding. She is in a bright office environment with large windows in the background. A dark blue circle is overlaid on the left side of the image, containing the text "ESG Beliefs Workshop" in white.

ESG Beliefs
Workshop

Baseline understanding

Trustee understanding of ESG issues

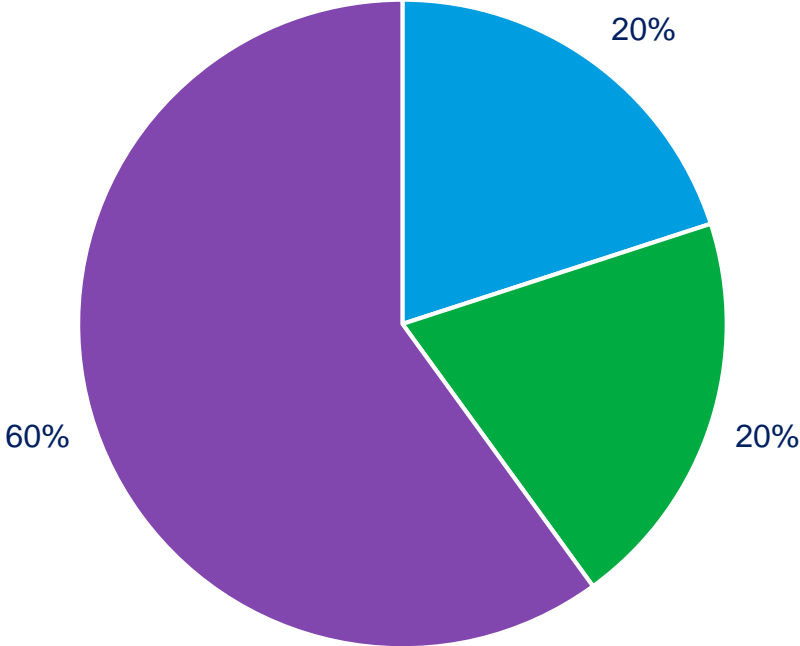
ESG Beliefs Survey – April 2022:



100%

Well Developed Fairly well developed Not Well Developed

ESG Beliefs Survey - May 2019:



Well Developed Fairly well developed Not Well Developed



Snapshot of Key Survey Results

100% of Trustees support an above 'minimum compliance' approach to ESG (43% supporting a 'best-in-class' approach)

100% of Trustees believe that broad ESG risk management is the 1st or 2nd top governance priority

86% believe policies should align with the Paris Agreement

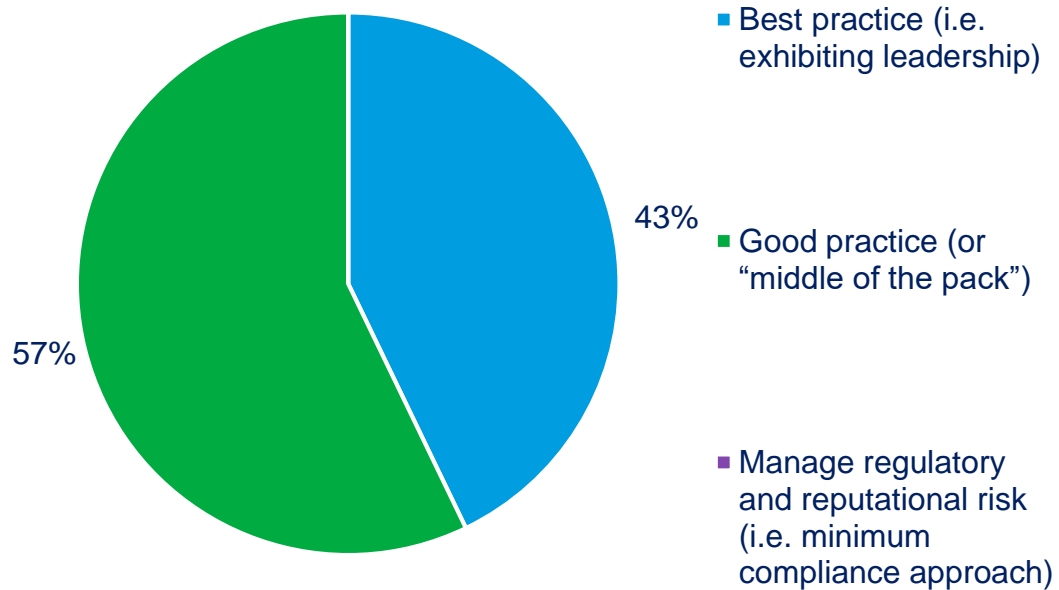
Climate change is the highest ranked key ESG theme

100% support a long term view to ESG risk management

Reputation risk is the highest ranked risk to manage

What should be our approach to Sustainable Investing?

What should be our approach to Sustainable investing:



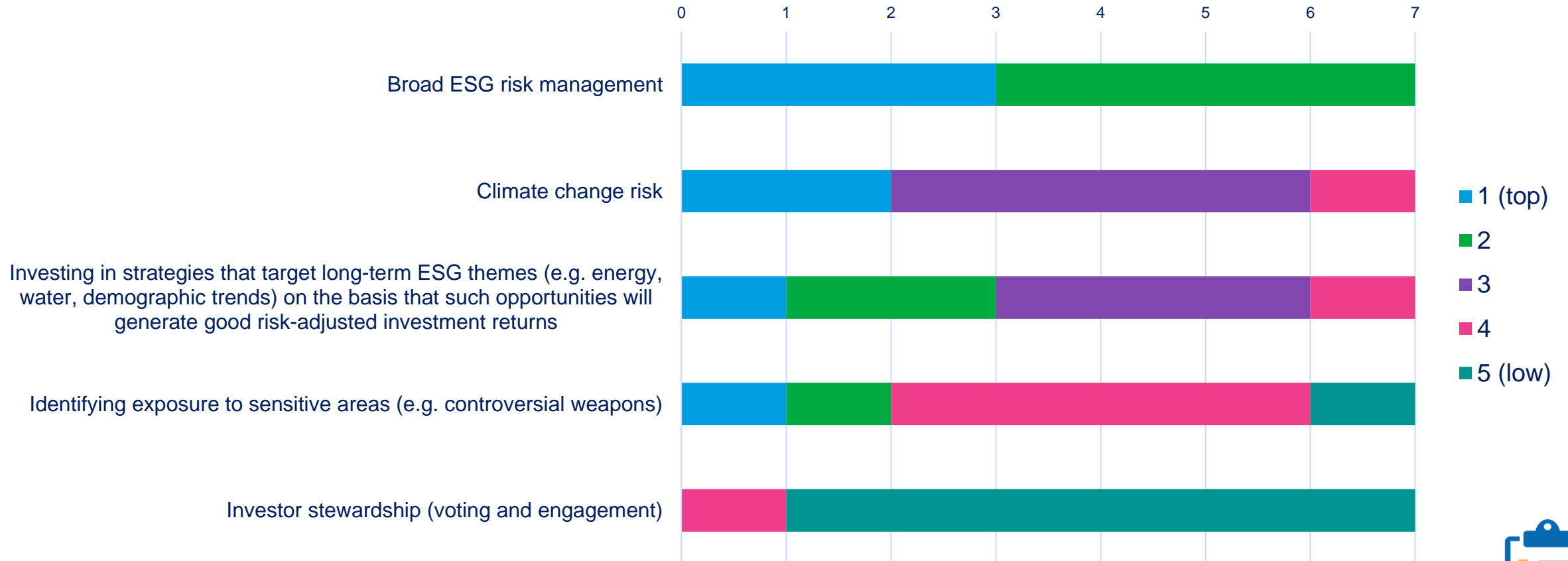
Totals may not sum due to rounding.

My view is that ESG issues:

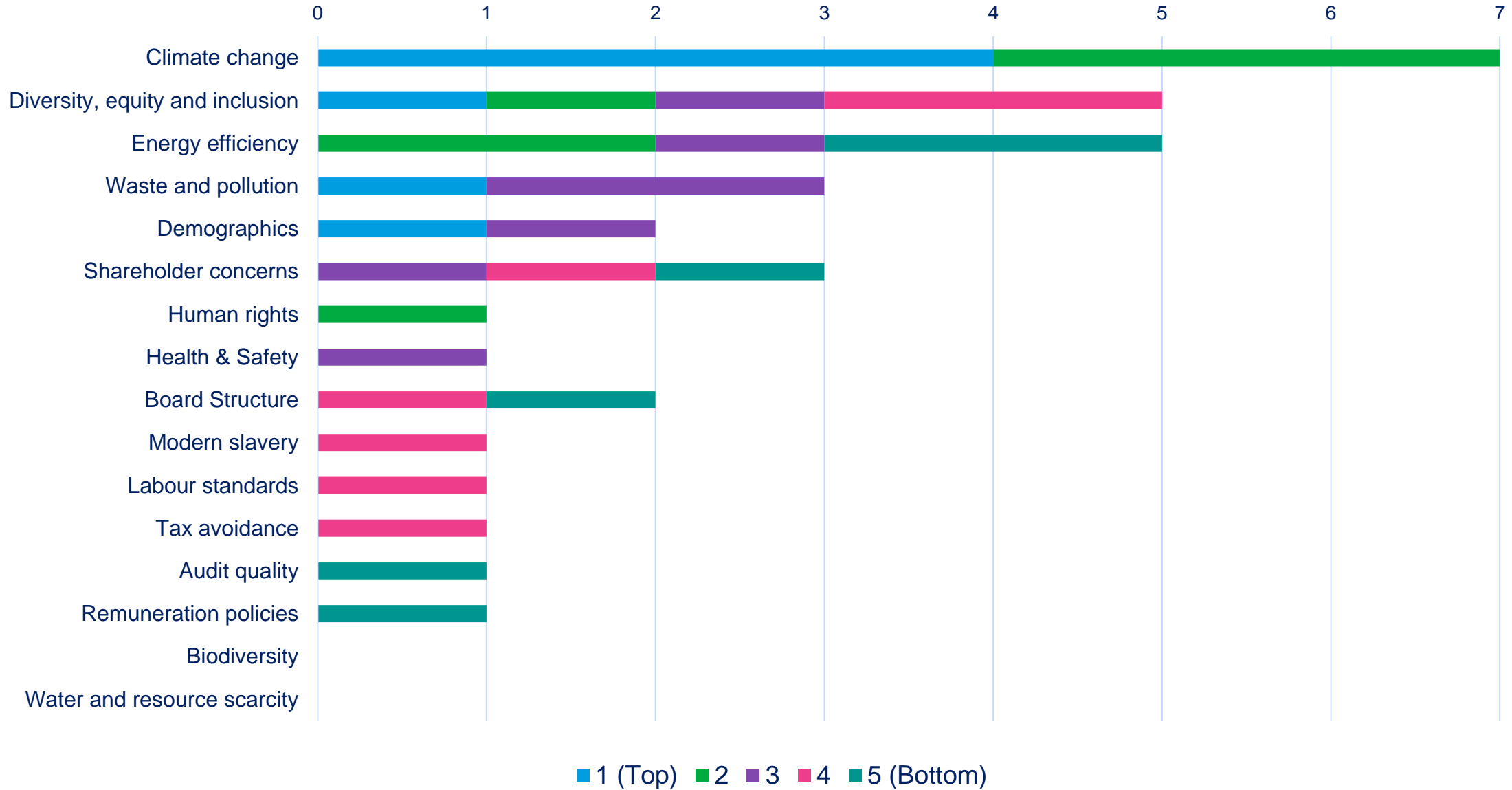


High Priority Areas

From a prioritisation perspective, rank (from 1 to 5 with 1 being the highest priority) the following issues / approaches in terms of the ones you feel may be most important for the Scheme:

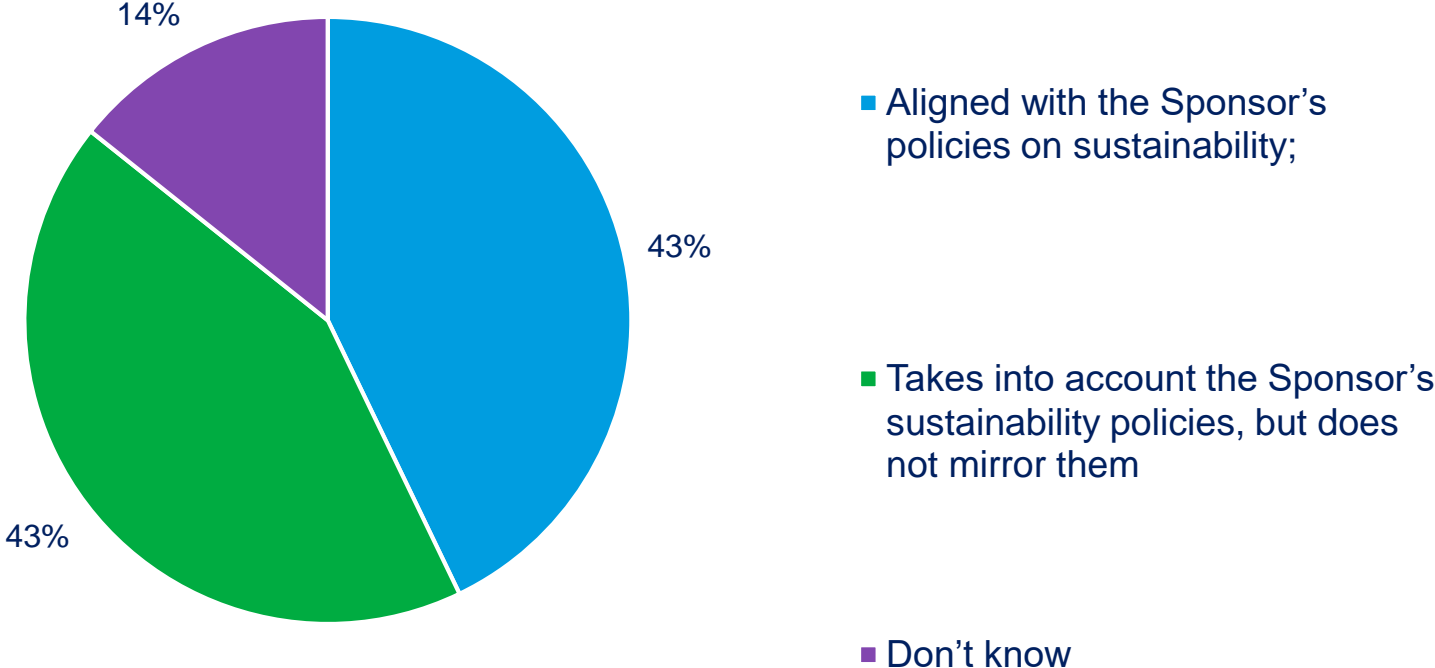


Key Themes



Sponsor policies on Sustainability and alignment with the Scheme

The Trustee's policy on sustainable investment is:



Totals may not sum due to rounding.

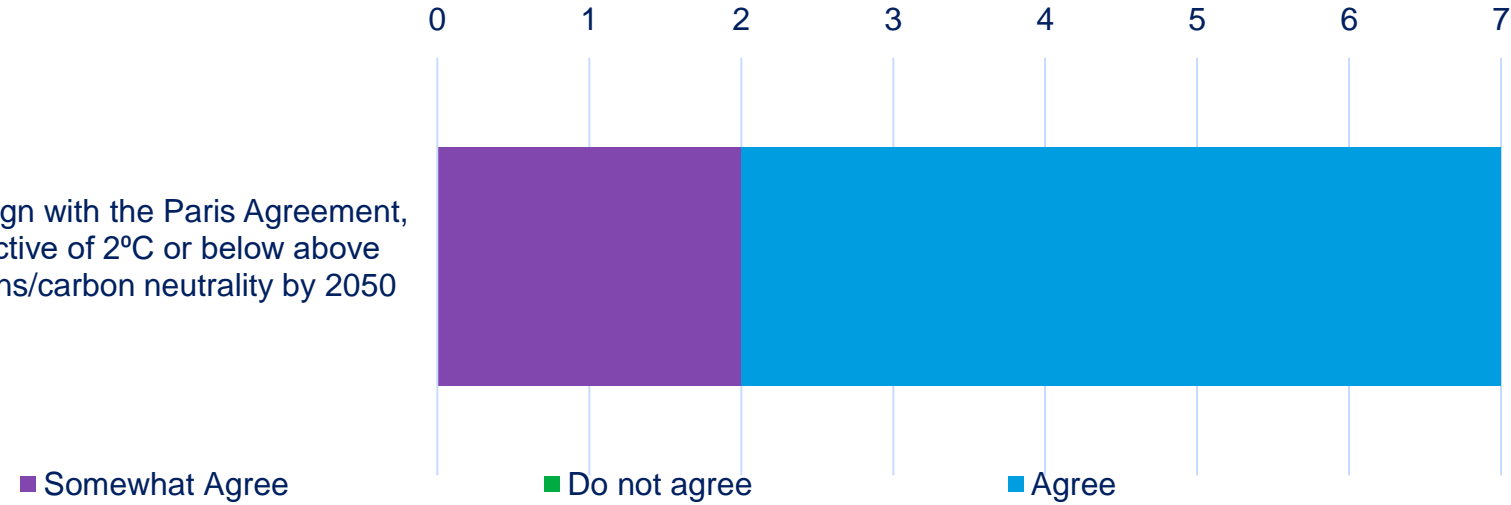


Supporting the Paris Agreement

The Scheme's investments should aim to align with the Paris Agreement, and/or alignment with the temperature objective of 2° C or below above pre-industrial levels, and/or net zero emissions/carbon neutrality by 2050 or earlier:

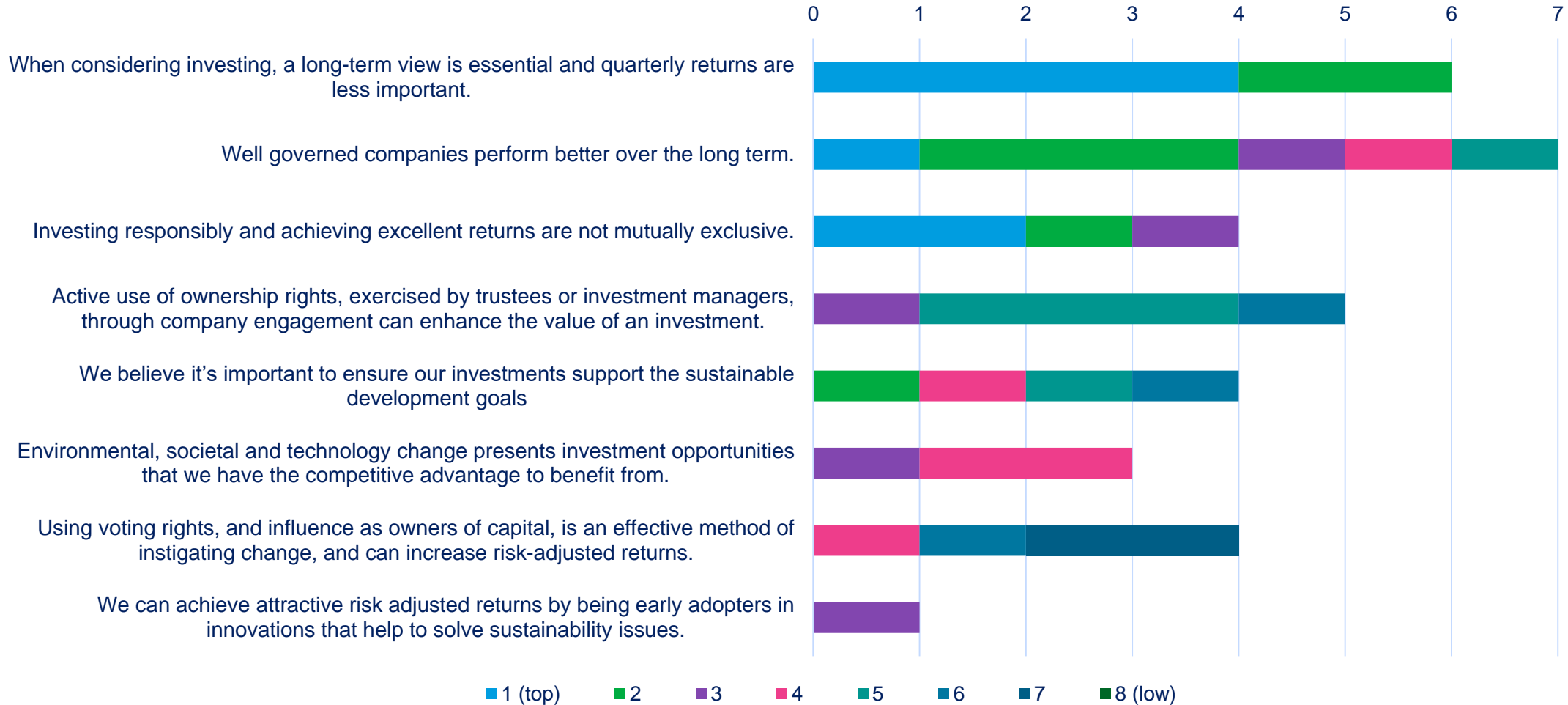
85.7%
of Trustees agree

All our investment mandates should aim to align with the Paris Agreement, and/or alignment with the temperature objective of 2°C or below above pre-industrial levels, and/or net zero emissions/carbon neutrality by 2050 or earlier.



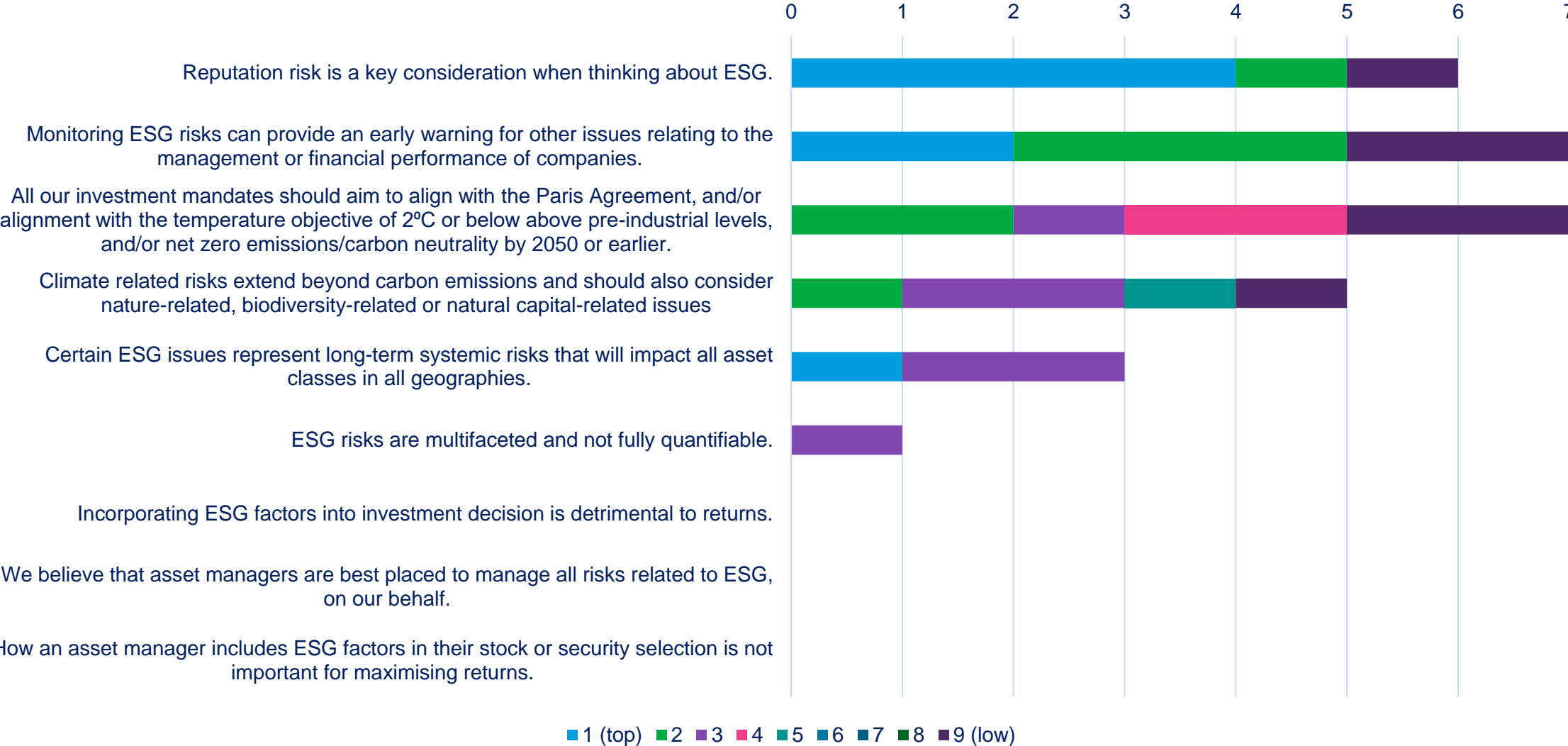
Opportunities

Rank the opportunities you feel may be most essential for you:



Managing risks

Rank in terms of managing risks you feel may be most essential for you:



Beliefs for further discussion (1/2)

Topic	Beliefs	Current policy / process	Potential further policy / process
Understanding, themes and priorities	<i>Our approach to sustainable investing should be [best practice / good practice]</i>	Current investment processes categorised as ‘good practice’, as per Mercer’s RITE assessment, however there is no formal statement on this by the Trustee	Agree a consensus view and build wording into the SIP
Members’ sustainable investment views	<i>Members believe the Scheme’s investments [have a wider social responsibility / have a social responsibility but not at the expense of profits / I do not know]</i>	No stated policies or process in the SIP	Could expand wording to provide more specific details on the Trustee’s beliefs and agreed policies / processes
Members’ ESG views	<i>Members are more concerned with [Environmental / Social / Governance] issues</i>	No stated policies or process in the SIP	Conduct member survey
Implementation of beliefs	<i>Our beliefs are best implemented via [integration / stewardship / thematic investing / exclusions]</i>	Delegated to underlying investment managers	Agree a consensus view and build wording into the SIP
Regulatory alignment	<i>The Scheme’s investment [should / shouldn’t] aim to align with the Paris Agreement</i>	Not currently aligned with Paris Agreement	Understand what alignment with the Paris Agreement looks like from a process and portfolio perspective

Beliefs for further discussion (2/2)

Topic	Beliefs	Current policy / process	Potential further policy / process
Energy beliefs	<i>Regarding fossil fuels, [we should not invest / we should only invest where the company has committed to a low carbon transition / we will leave this decision to our managers]</i>	No stated policies or process in the SIP	Agree a consensus view and build wording into the SIP
Portfolio exclusions	<i>We should aim to meet exclusion criteria by [full exclusion / tilting exposures]</i>	No stated policies or process in the SIP	Agree a consensus view and build wording into the SIP
ESG opportunities	<i>The most important consideration relating to ESG opportunities is [taking a long-term view / investing in well governed companies / understanding high returns can still be achieved by investing sustainably]</i>	Long-term view taken when evaluating investment managers	Agree a consensus view and build wording into the SIP
Stakeholder considerations	<i>The most important consideration in meeting regulators and stakeholders expectations is [our managers exhibiting good stewardship / alignment of interests / recognising long-term sustainable investment is part of our fiduciary duty]</i>	No stated policies or process in the SIP	Agree a consensus view and build wording into the SIP
ESG risk management considerations	<i>The most important consideration in managing ESG risk is [reputational risk / early monitoring of ESG risk warnings / aligning with the Paris Agreement or Net Zero targets]</i>	No stated policies or process in the SIP	Agree a consensus view and build wording into the SIP

The Trustee should consider the materiality of each belief as to whether policies and processes should be established

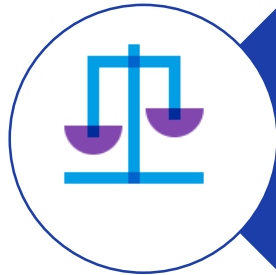
A woman with dark hair pulled back, wearing a dark blue polo shirt with white piping, is looking down at a white tablet she is holding. She is in a bright office environment with large windows in the background. A large blue circle is overlaid on the left side of the image, containing the text "Next Steps".

Next Steps

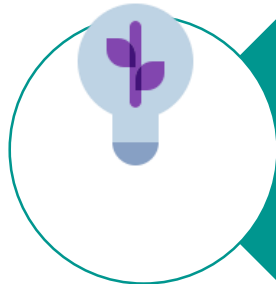
Proposed Next Steps



Enhance wording in the SIP to reflect the ESG survey results and today's discussions



Establish processes that ensure investment decisions refer back to the relevant belief



Consider the potential impact of the updated beliefs, policies and processes on investment strategy

A woman with dark hair pulled back, wearing a dark blue polo shirt with white piping, is looking down at a white tablet she is holding. She is in an office environment with large windows in the background showing a blurred cityscape. A dark blue circle is overlaid on the left side of the image, containing the text 'Full Survey Results' in white.

Full Survey Results

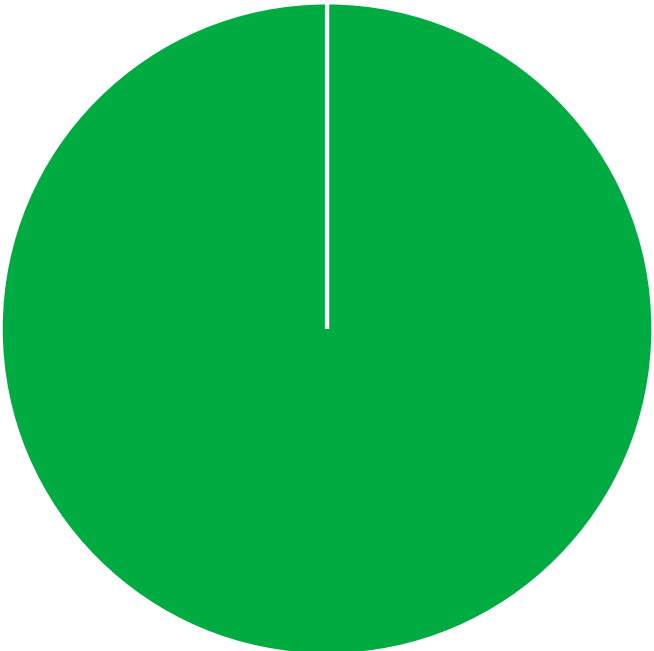
1. Trustee knowledge, understanding and key approaches / themes



Baseline understanding

Trustee understanding of ESG issues

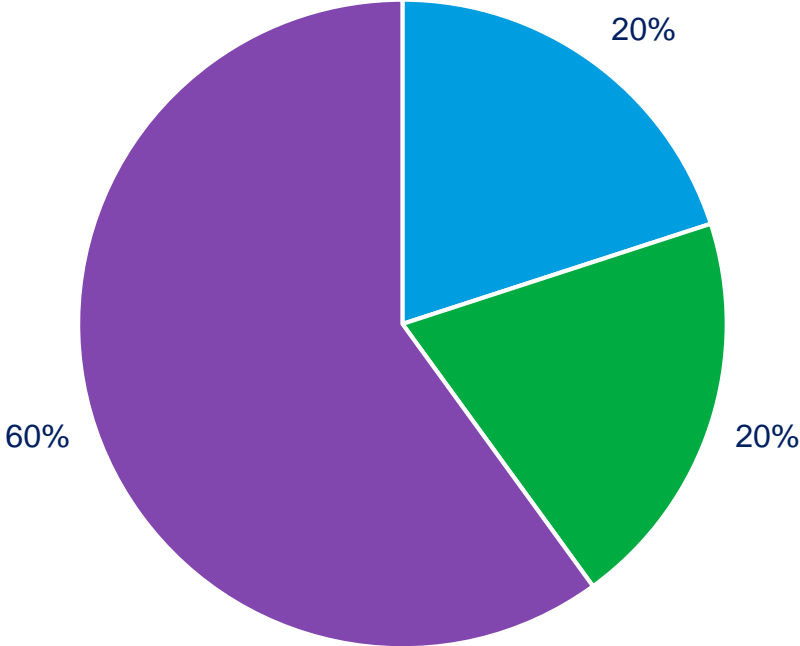
ESG Beliefs Survey – April 2022:



100%

Well Developed Fairly well developed Not Well Developed

ESG Beliefs Survey - May 2019:

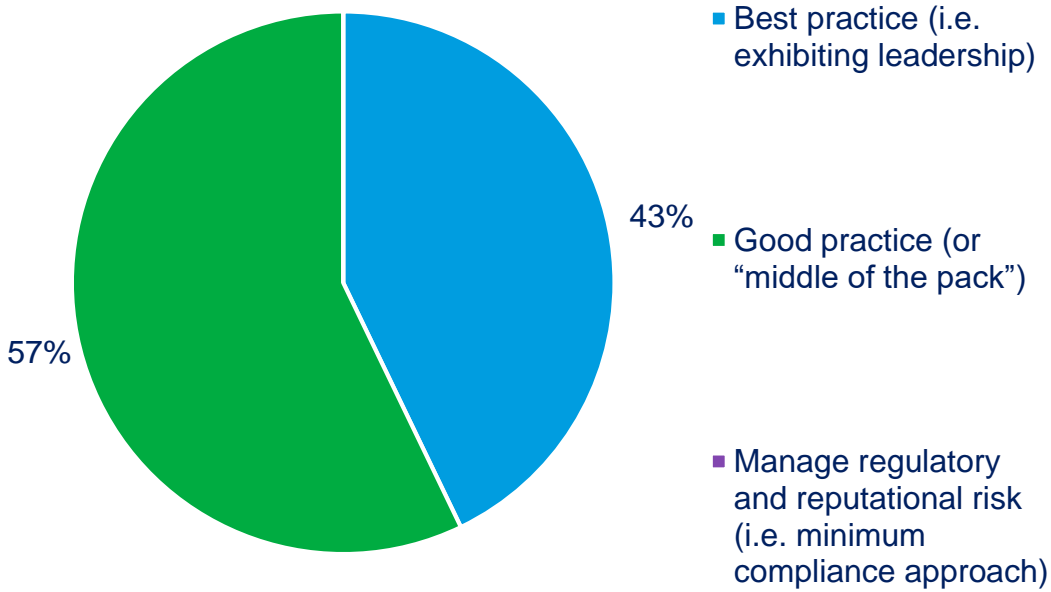


Well Developed Fairly well developed Not Well Developed



What should be our approach to Sustainable Investing?

What should be our approach to Sustainable investing:



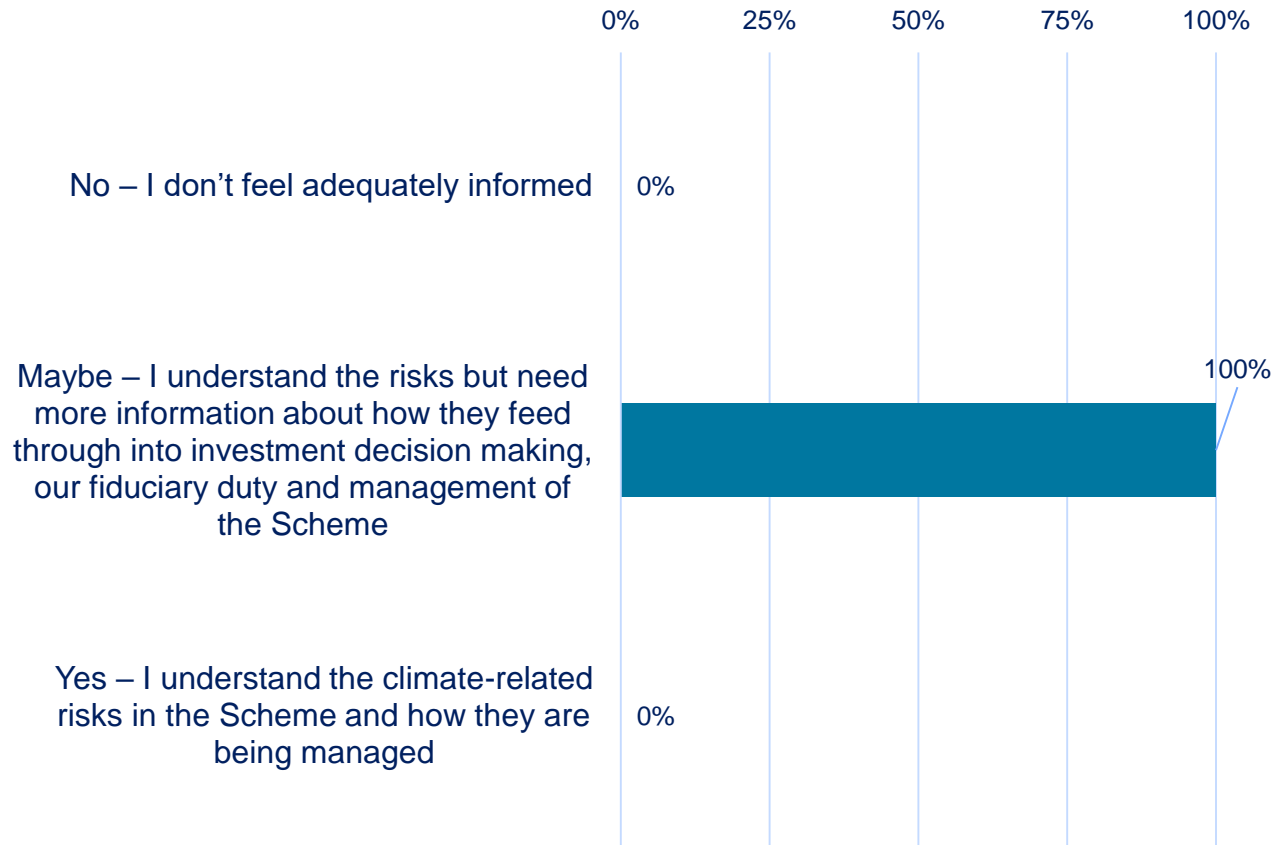
Totals may not sum due to rounding.

My view is that ESG issues:



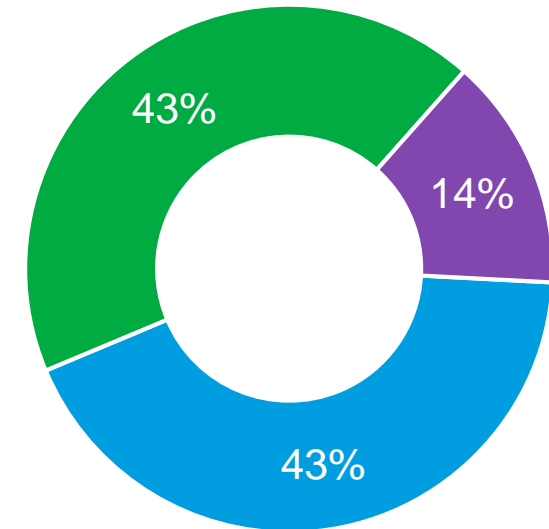
Trustee Approach To Risk Management

Do you feel adequately informed about climate-related risks and their relationship to investment decision making, your fiduciary duty and management of the Scheme?



Totals may not sum due to rounding.

Our approach to managing ESG related risks and opportunities is:

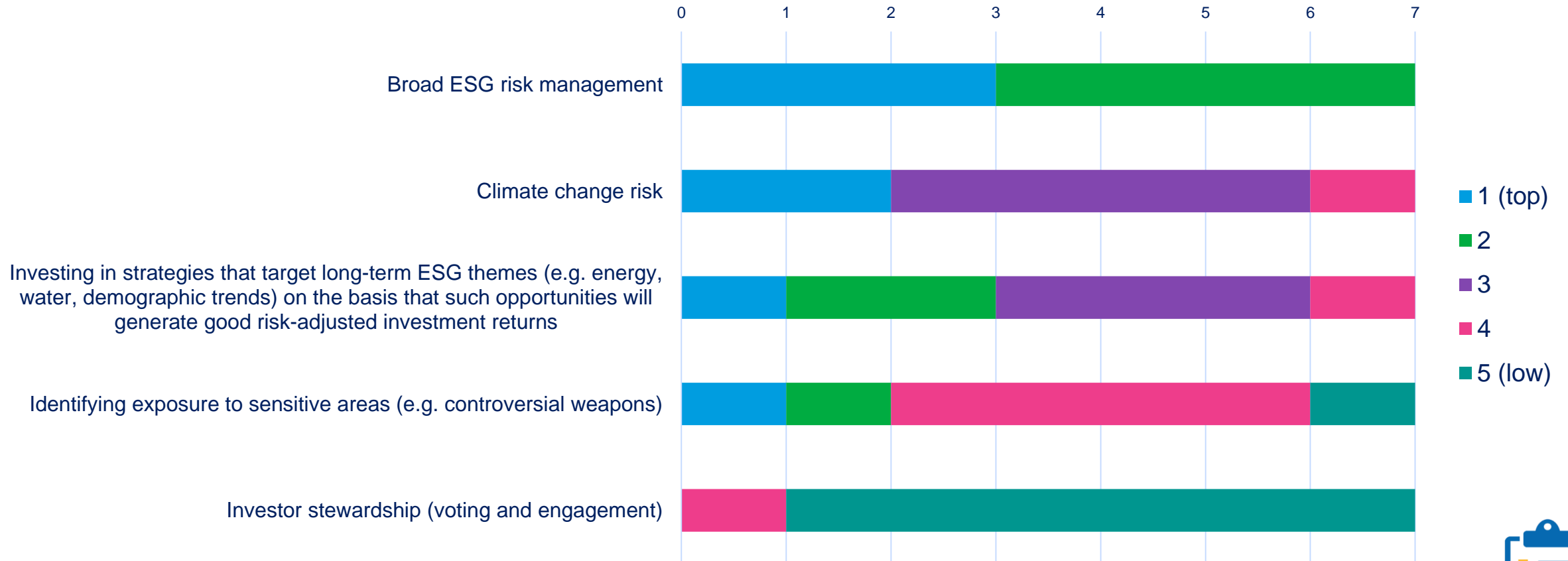


- Is appropriate
- Could go further, and should be reviewed
- Don't know - I need more information to develop a view as to whether ESG considerations deserve more focus

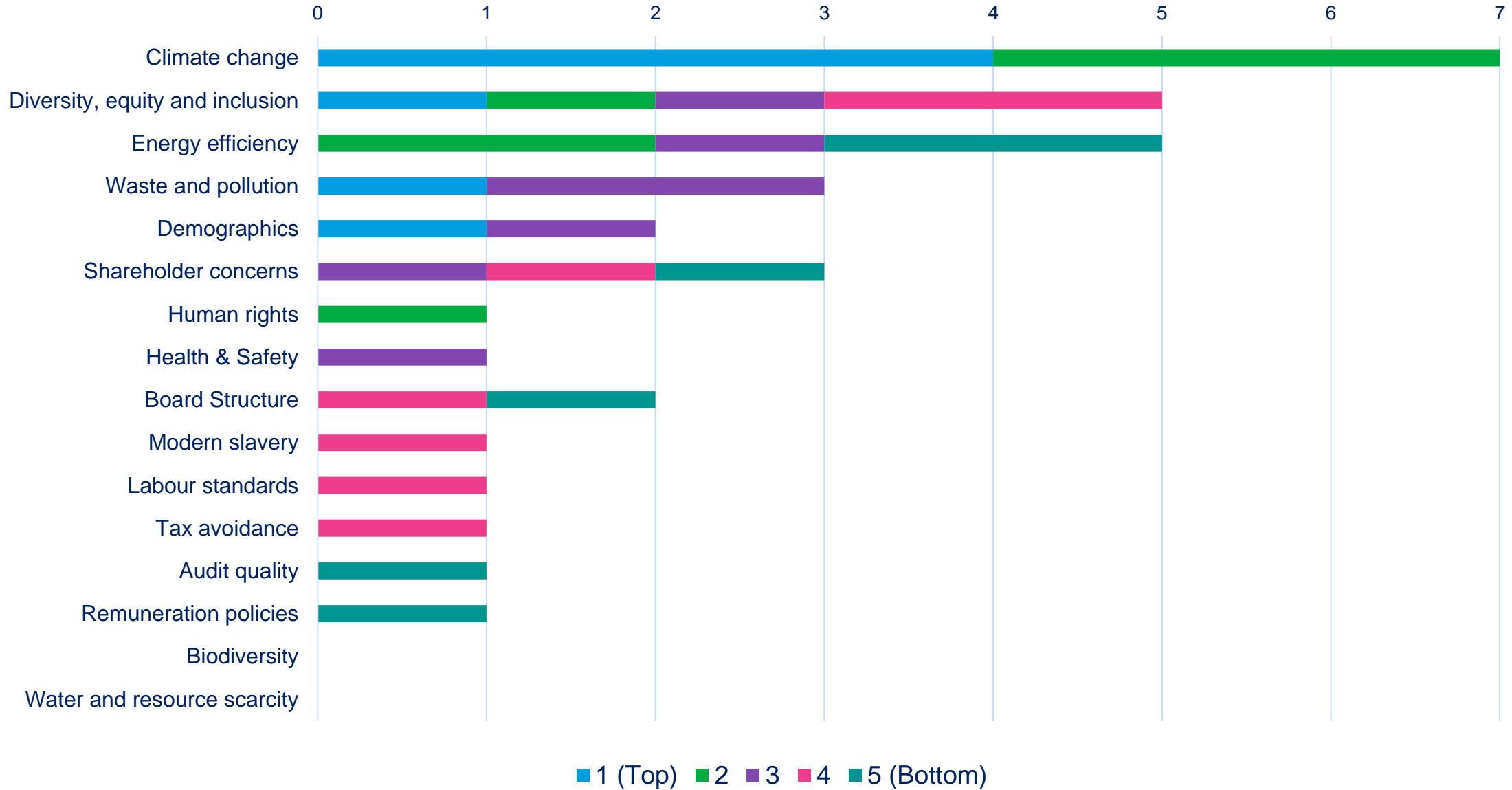


High Priority Areas

From a prioritisation perspective, rank (from 1 to 5 with 1 being the highest priority) the following issues / approaches in terms of the ones you feel may be most important for the Scheme:



Key Themes

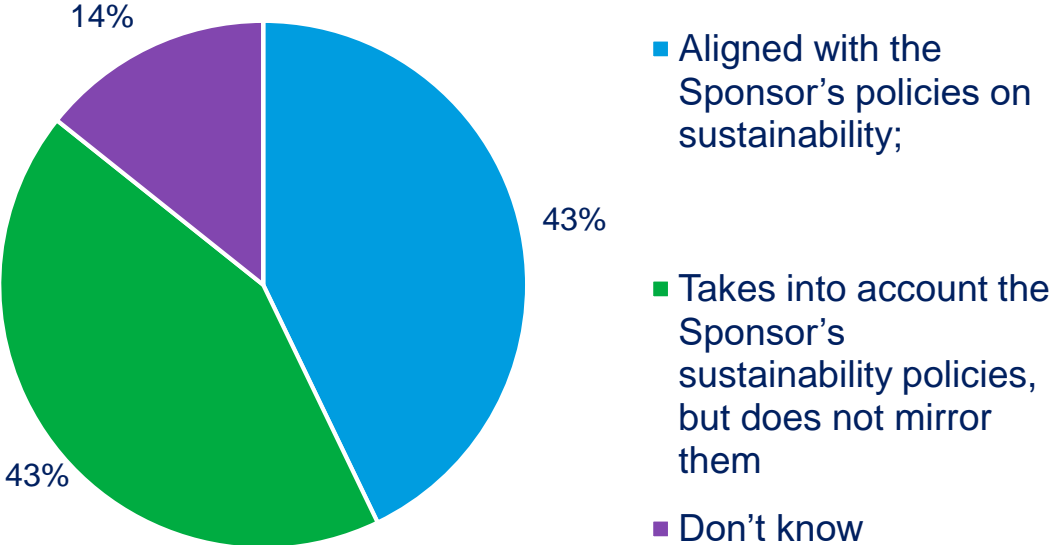


2. Sponsor Alignment and Member Views



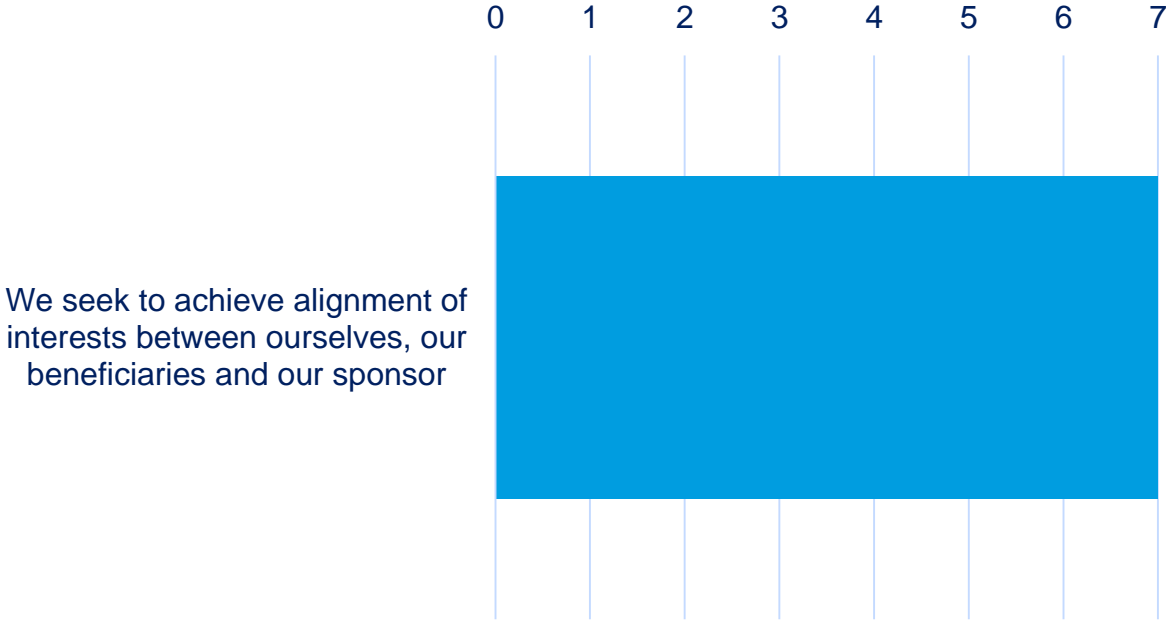
Sponsor policies on Sustainability and alignment with the Scheme

The Trustee's policy on sustainable investment is:



Totals may not sum due to rounding.

Responses

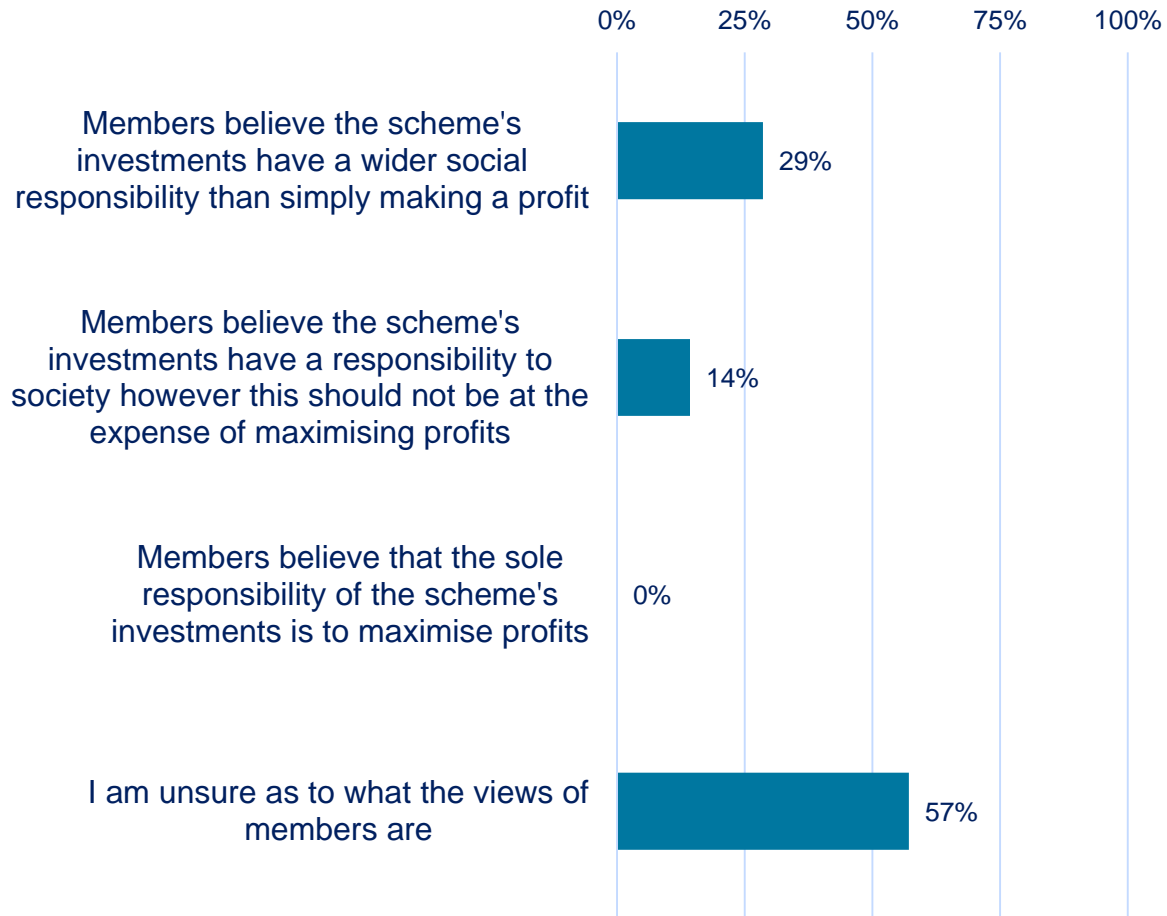


■ Do not agree ■ Somewhat Agree ■ Agree



Member Views

Which statement do you believe captures your members' views more accurately?



Totals may not sum due to rounding.

Which areas do you believe are of more concern to members (number of responses)?



Please rank the following in terms of the areas you feel may be most important for members:

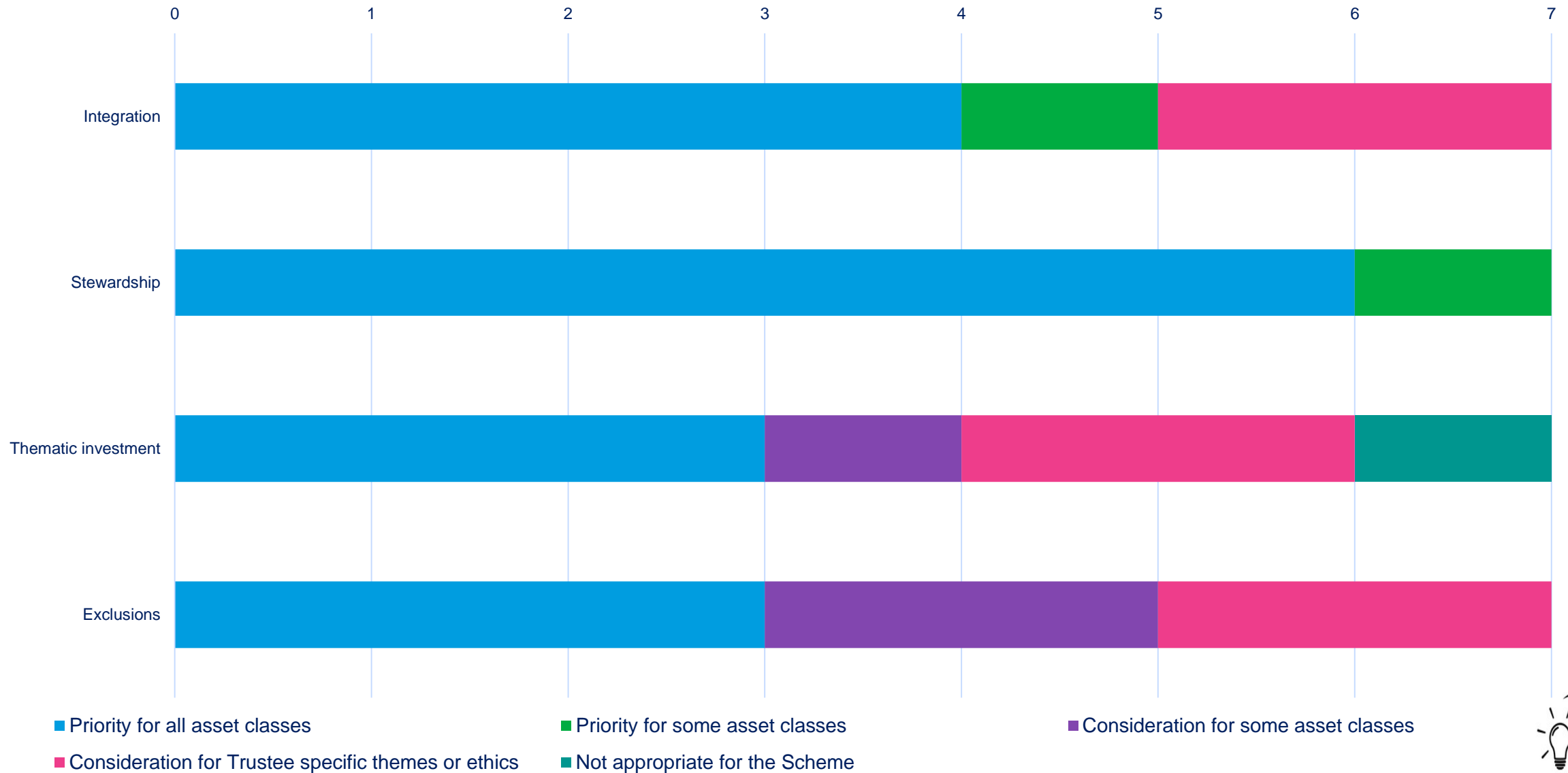
Number of respondents	1 st	2 nd	3 rd
Environmental	3	0	0
Social	0	3	0
Governance	0	0	1



3. Implementation



Investment beliefs should be implemented using:

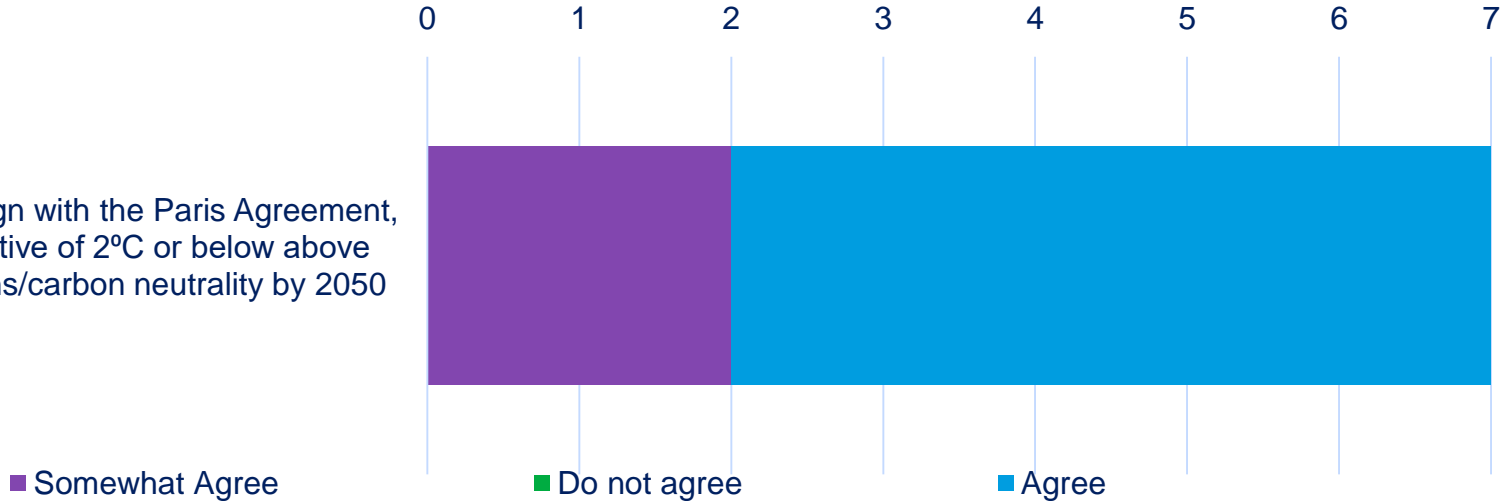


Supporting the Paris Agreement

The Scheme's investments should aim to align with the Paris Agreement, and/or alignment with the temperature objective of 2° C or below above pre-industrial levels, and/or net zero emissions/carbon neutrality by 2050 or earlier:

85.7%
of Trustees agree

All our investment mandates should aim to align with the Paris Agreement, and/or alignment with the temperature objective of 2°C or below above pre-industrial levels, and/or net zero emissions/carbon neutrality by 2050 or earlier.



Views on fossil fuel exposures

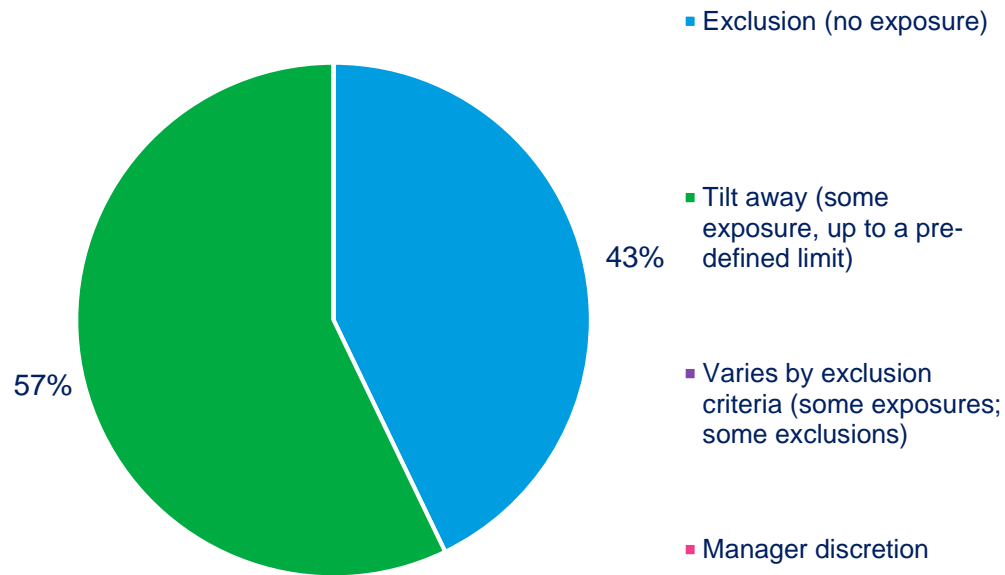


Totals may not sum due to rounding.



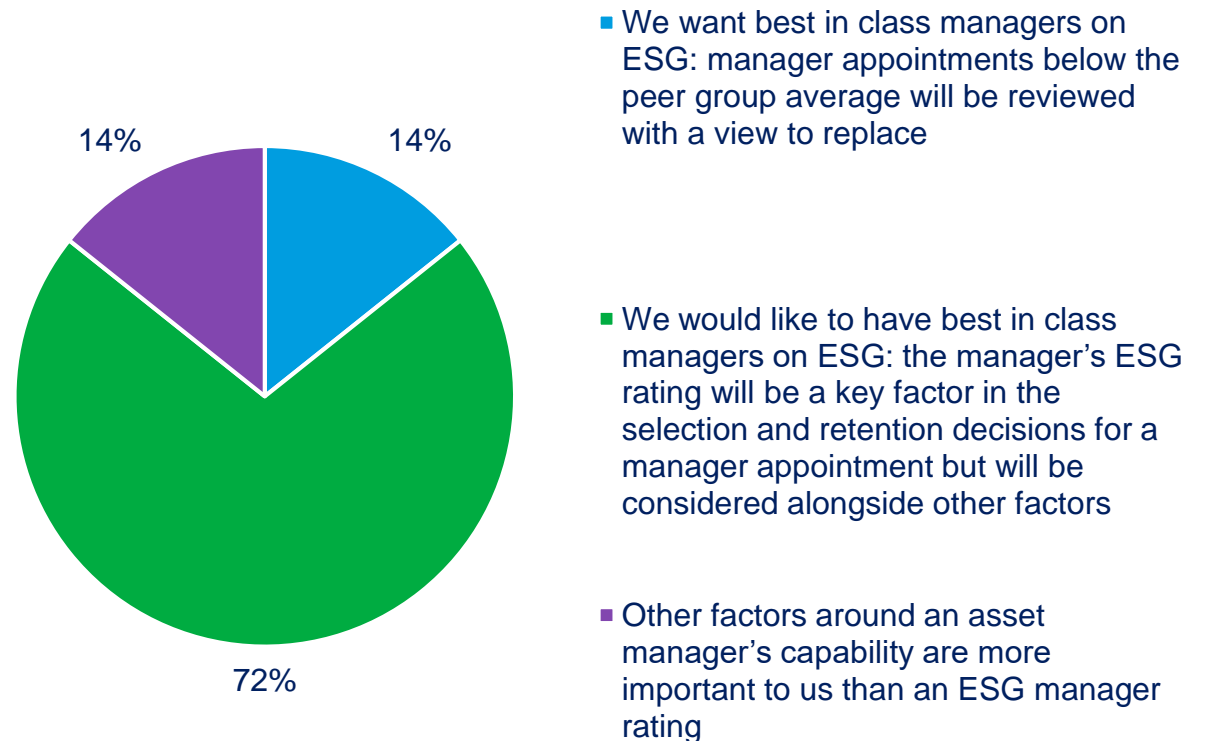
UN Global Compact Exclusions & ESG Manager Ratings:

Management of exposure to companies meeting the exclusion criteria of the UN global compact, such as nuclear, tar sands, tobacco, palm oil, fossil fuels, controversial weapons and gambling should be by:

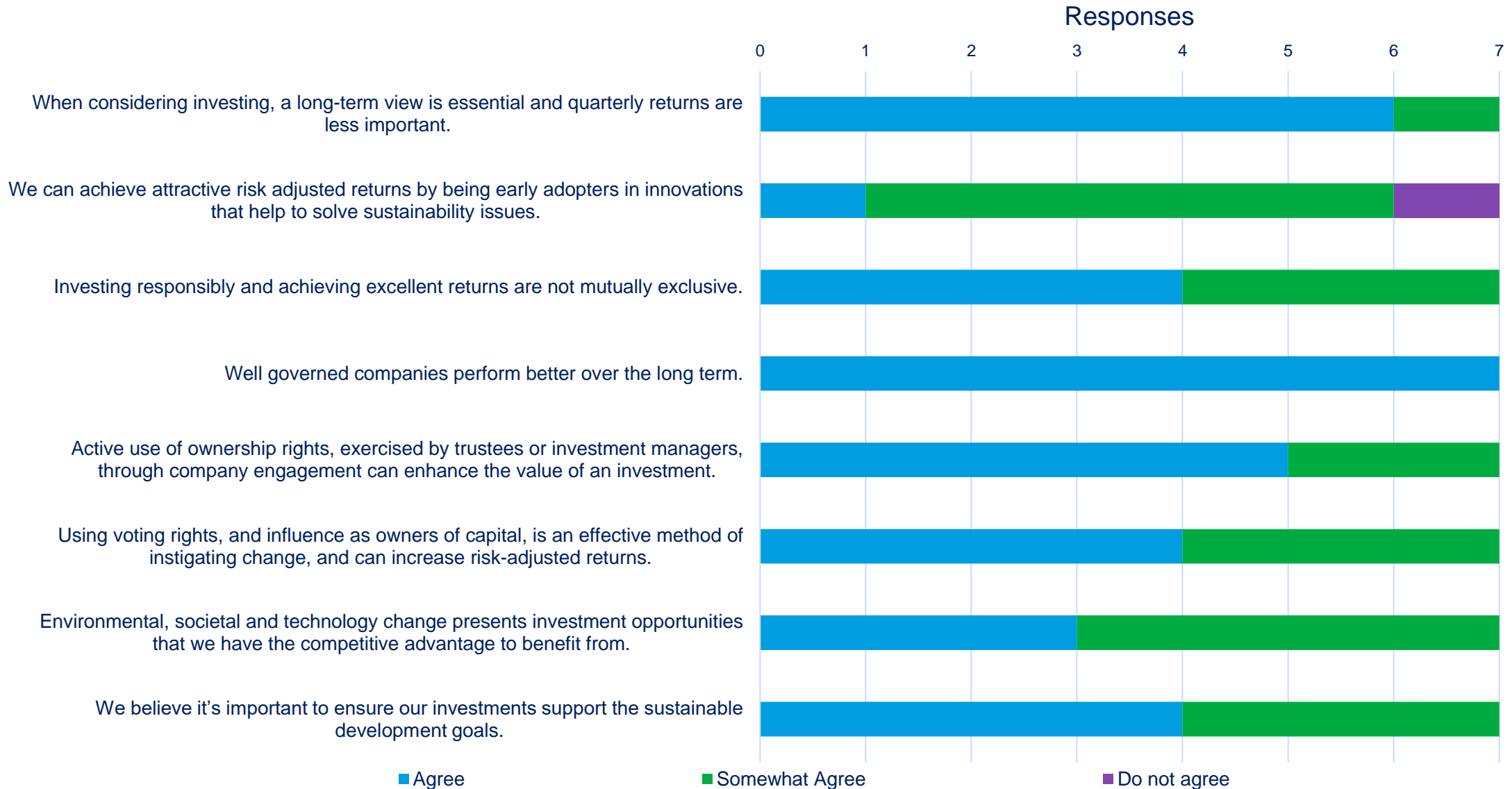


Totals may not sum due to rounding.

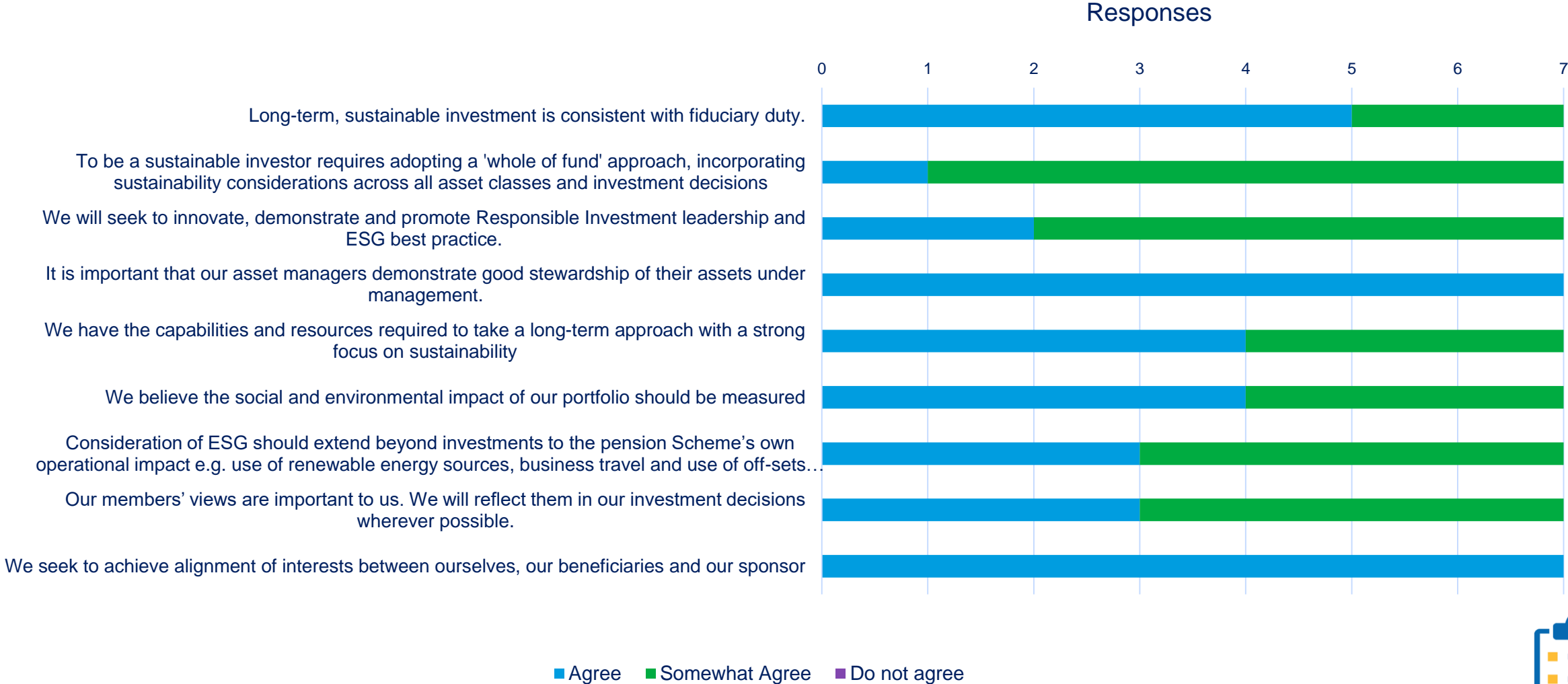
ESG manager ratings:



Opportunities

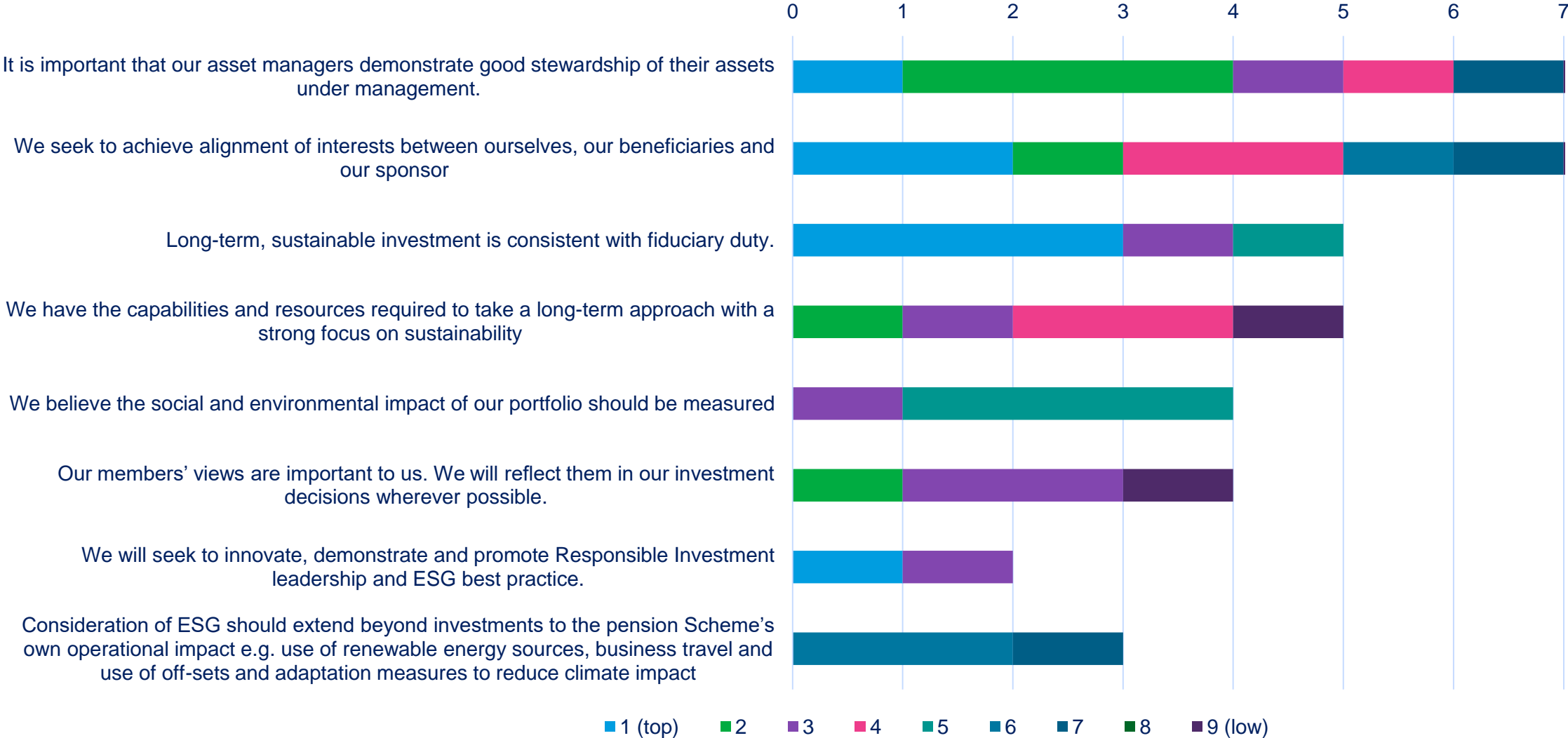


Meeting regulatory and stakeholder expectations



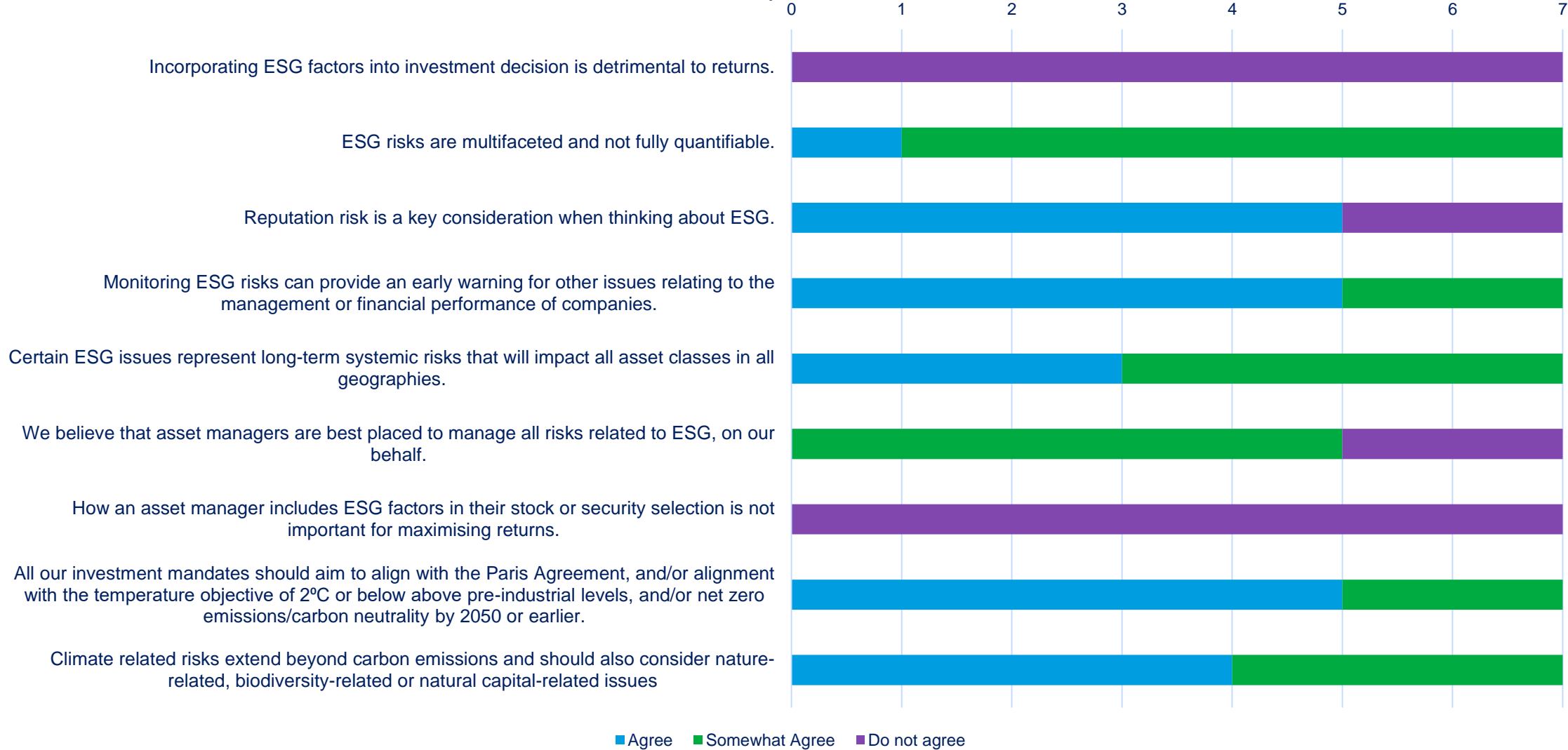
Meeting regulatory and stakeholder expectations

Rank the opportunities you feel may be most essential for you:



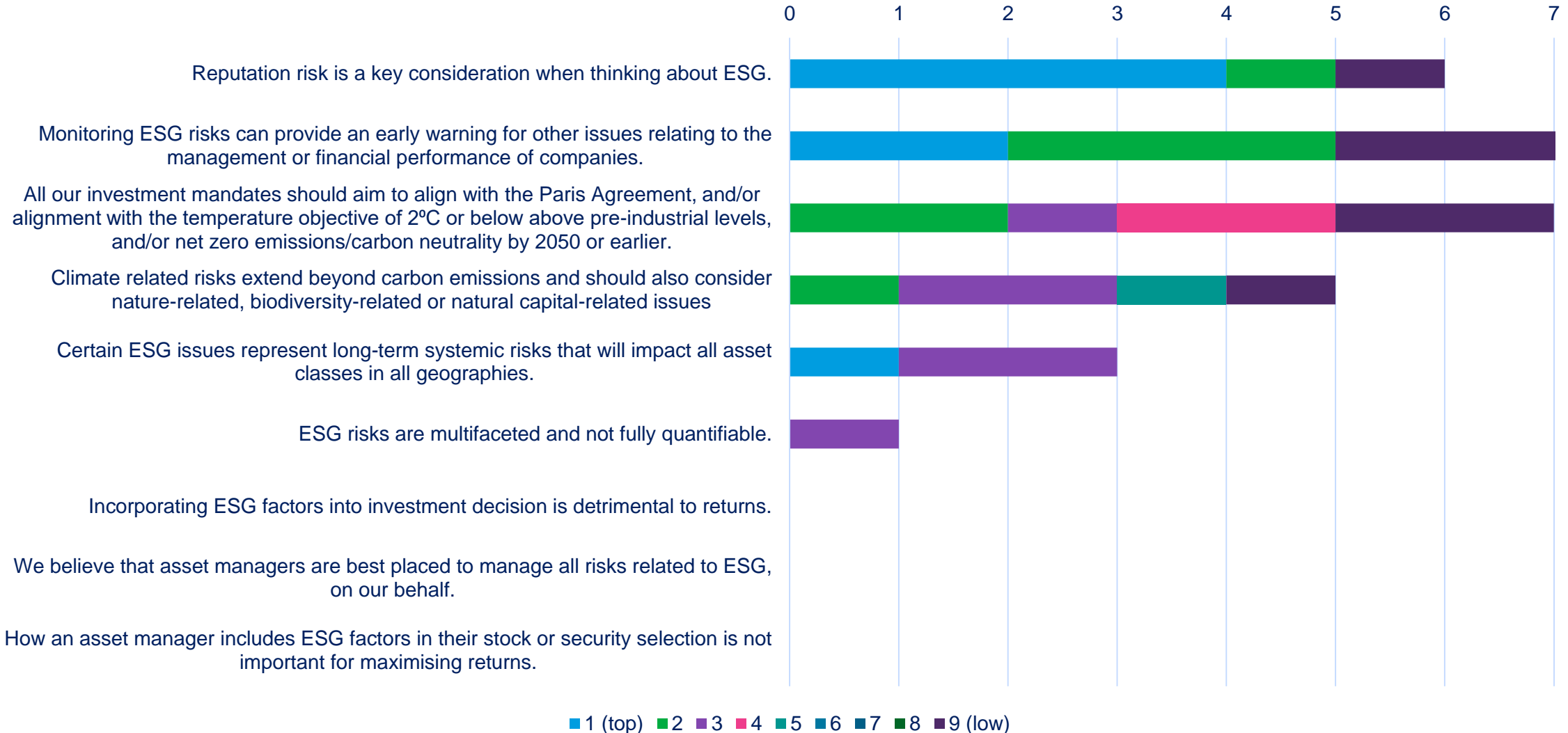
Managing risks

Responses



Managing risks

Rank in terms of managing risks you feel may be most essential for you:



Comments from Survey (1/2)

I have interviewed Fund Managers and I'm impressed that companies are changing their structure and taking ESG seriously.

Two recent aspects have created significant turmoil and uncertainty re ESG.
1. The USA-China relations position
2. The Russia-Ukraine conflict and it's potential impact on global energy supplies/market

Believe we pay more than lip service but keen to explore more. Also keen to consider S and G elements.

The pension scheme is entirely in credit and not equity. I think this gives less opportunity to influence the Board of Directors.

Insufficient ESG information available in credit markets.

I am unclear what our members feel in respect of specific climate related investments.

There is enough opportunity in the investment market to find the returns our scheme needs with very good ESG credentials.

Members are likely to have a different view for DB vs DC. The Trustee is no longer responsible for DC (transferred to Master Trust). ESG can and should take greatest importance for DB.

Greenwash is a real issue.

The heart says it should be a matter of principle for the long term future of the planet, while the head might suggest that a greater priority is funding retirement until the uncertainty over HMG funding of social care is finally determined.

I am not sure many of our members are truly concerned or understand these areas and the link to their investments.

Climate change is THE concern based on climate change experience over the past 5 to 10 years and the extremes of weather creating damage, danger and risk.

Comments from Survey (2/2)

We should survey our members.

Members would be very concerned in failure of any element of ESG.

Feel that a more in depth conversation with Sponsor is required.

ECL have developed a strong sustainability ethic and series of operating principles.

We are lucky that our sponsor takes ESG very seriously. It will be interesting to see how this affects the Master Trust through its interactions with the IGC.

Again balance between aspirational aims and realistically what is currently feasible for scheme of our size and with resources available.

Need to understand more what aligning with Paris Agreement looks like.

Limited only by the Fund Managers desire to engage with ESG measurement and management.

It is the EC ethos to be a leader and not a follower.

Not sure if question is around current priorities or general approaches.

I believe that our ESG beliefs and strategies are well developed as are those of the Company. It would be beneficial to both to work together to achieve closer alignment .

Whilst good to be aspirational, need to balance with size of scheme and resources available. Also need to recognise that integration of ESG factors will be a journey.

As Trustees we have a clear responsibility to be actively involved in these decisions and thinking.

The end goal should be exclusion but that is not practical in the short term, e.g. fossil fuels.

Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2022 Mercer LLC. All rights reserved.

This report contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

RITE is a point in time evaluation and provides no guarantee of current or future compliance with prevailing regulations.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.



