



ENW (ESPS) Pensions Trustees Limited
Electricity North West, Borron 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

Electricity North West Group of the Electricity Supply Pension Scheme

November 2023 – Investment Implementation Document

1. Introduction

The Statement of Investment Principles (“the Statement”) of the Electricity North West Group of the Electricity Supply Pension Scheme (“the Group”), sets out the guiding principles upon which the Group’s investments are based. The purpose of this summary is to provide details of the specific investments in place alongside other information relevant to the management of the investments.

Investment policy can be considered in two parts; (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Group Trustee and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

2. Defined Benefit Section

2.1. Strategic Management

The current overall benchmark allocation of the Group’s assets between the major asset classes is detailed in the table below. The split below does not account for the bulk annuity transaction as this is not a strategic holding the Trustee can rebalance. The below allocation is expected to allow the uninsured liabilities to be supported with matching and return-seeking assets as appropriate (see item 2.5 for further details). The Group may also hold cash for liquidity purposes; however, the cash allocation is not considered below as it is not a strategic holding.

Asset Class	Benchmark Allocation (excl. bulk annuity ¹) (%)
Distressed Debt ²	0
Global Property ²	0
Asset Backed Securities ³	0
Absolute Return Bonds ⁴	16
Infrastructure Equity	17
Direct Lending	17
Long Lease Property	10

LDI	40
Total	100

¹The benchmark above excludes the bulk annuity Policy with Scottish Widows due to an inability to rebalance these holdings to a target weight.

²These asset classes are current mature illiquid holdings that will continue to distribute their remaining capital. However, they are not expected to remain as long-term holdings in the strategy and as such, are expected to roll out of the portfolio over time and have been allocated benchmark allocations of 0%.

³This mandate is not expected to be a long-term holding and therefore does not have a fixed benchmark allocation. This mandate may however be used for short-term deployment of cash ahead of wider cashflow requirements from time to time.

⁴The Group's Absolute Return Bond mandate is held alongside the Group's LDI mandate to provide the first tier of collateral to meet any leverage rebalancing calls and receive any capital distributions. This mandate's allocation is therefore expected to deviate with yield movements.

2.2. Day-to-day Management of the Assets

The Group's assets are split between those relating to the main Group and those relating to Additional Voluntary Contributions ("AVCs"). This section refers to the main Group assets, AVCs are covered in Section 4.

All the investment managers except for Carlyle are regulated by the Financial Conduct Authority. Carlyle is regulated by the Securities and Exchange Commission.

The investments with Legal & General (absolute return bonds), Partners Group, Morgan Stanley, Permira, M&G, Carlyle, JP Morgan and Insight are held in pooled funds, the Group's entitlement being to the monetary value of the pooled fund units. The Group's LDI holdings with Legal & General are accessed via a bespoke pooled arrangement.

The managers have discretion over the investment of the Group's assets, subject to the restrictions detailed in the Statement, table below and respective Investment Management Agreements in place between the Group Trustee and the investment managers.

Manager	Fund	Asset Class	Benchmark Index ¹	Performance Objective
Carlyle	Carlyle Strategic Partners III	Distressed Debt	1 Month SONIA	Net internal rate of return of 15-20%.
Partners Group	Real Estate Secondary 2009	Global Property	1 Month SONIA	Net multiple of 1.45-1.65x over the life of the Fund.
Morgan Stanley	AIP Phoenix Global Real Estate Secondaries Fund 2013	Global Property	1 Month SONIA	Gross internal rate of return of 15-20% (in USD).
Legal and General	Absolute Return	Absolute Return	3 Month SONIA	ICE BofA SONIA 3-

Manager	Fund	Asset Class	Benchmark Index ¹	Performance Objective
	Bond Fund	Bonds		Month Constant Maturity Total Return Index + 1.5% (gross).
JP Morgan	Infra-structure Investment Fund	Real Assets	1 Month SONIA	Overall 8% - 12% per annum net of fees and a target cash yield of 5% - 7% per annum.
Insight	High Grade Asset Backed Securities Fund	Asset Backed Securities	1 Month SONIA	1 Month SONIA + 1.15% per annum.
Permira	Permira Credit Solutions III	Direct Lending	1 Month SONIA	Net internal rate of return of 6-8%.
Permira	Permira Credit Solutions V	Direct Lending	1 Month SONIA	Net internal rate of return of 6-8%.
M&G ²	M&G Secured Property Income Fund	Long Lease Property	50% FTSE Over 15 Year Fixed Interest Gilts and 50% FTSE 5-15 Years Index Linked Gilts	RPI + 3% per annum.
Legal and General	Bespoke LDI Portfolio	LDI	Liability based benchmark	To outperform the liability-based benchmark by 0.05-0.15% per annum on a three year rolling basis.

¹SONIA-based targets are used as a proxy cash benchmark for illustrative purposes where a mandate is not managed with reference to a specific benchmark index. The performance objective reflects each manager's formal stated objective.

²The Fund does not have a formal benchmark, instead a composite UK government bond index is shown for indicative purposes.

2.3. Scottish Widows

The Trustee will consider insurance options on the journey to being fully funded. The Group completed a partial bulk annuity transaction of its pensioner liabilities in October 2019 whereby an insurance provider (Scottish Widows) is now responsible for the cashflows to meet specific liability payments.

2.4. Responsible Investment

The Trustee has set out its views and procedures regarding responsible investment in a separate, dedicated Group Environmental, Social and Governance Policy document. A mission statement, for example, is currently being considered and this is expected to be formalised as part of this document in future.

2.5. Dynamic Strategy

The Group's strategy is driven by its membership profile. It has been agreed that the fundamental driver of the Group's investment strategy going forward will be the maturity profile as reflected in the development of liabilities between pensioners and non-pensioners. The Group will notionally split investment strategy into three parts:

- low risk cashflow matching portfolio for pensioner liabilities
- return portfolio for non-pensioner liabilities
- return portfolio for future service costs.

Full details of the long-term strategic framework are set out in a separate Rulebook, which will be considered by the Joint Working Group.

2.6. Advisors

2.6.1 Custodian

As a further safeguard towards maximising protection of the assets of the Groups within the ESPS, the Trustee of the ESPS uses an independent custodian, Bank of New York Mellon, to provide custodian services. When investing in pooled funds, the pooled fund manager is responsible for selecting and monitoring the custodian.

2.6.2 Actuary

The actuary will undertake a valuation of the Group's liabilities (at least) every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree the employer's contribution rate.

Rebecca McGowan of Aon Hewitt is the appointed Group Actuary.

2.6.3 Investment Advisor

Whilst the day-to-day management of the Group's assets is delegated to investment managers, all other investment decisions including strategic asset allocation and the selection and monitoring of investment managers is based on advice received from the Investment Advisor. Isio Group Limited has been appointed for this purpose.

2.7. Fee Structures

The investment managers levy fees based either on a percentage of the value of the assets under management alone, or on the value of the assets and the performance achieved by the manager relative to a pre-defined hurdle rate. The custodian has a fee basis that is a mixture of fixed fees and a percentage of the value of the assets under their custody in line with standard industry practice. The Investment Advisor works on a fixed fee basis, with any work falling outside of the scope of the fixed fee being charged on a project fee or time cost basis.

3. Defined Contribution Section

The Group's DC holdings have been transferred to the LifeSight Master Trust arrangement in October 2023, thereby relinquishing the Trustee from their fiduciary duty over the investment strategy of these holdings.

4. Additional Voluntary Contributions ("AVCs")

The options set out in Section 3 are also made available for Additional Voluntary Contributions (AVCs).

Some members currently also have the option of In Section – Added Years for their AVC investments.

In addition, legacy AVC investments are held with Utmost Life and Pensions (with-profits fund), Utmost Life and Pensions (managed fund) and Prudential (with-profits fund). These funds are closed to new contributions.

The investment management arrangements for AVCs are intended to be reviewed from time to time.